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THE IMPACT OF WAR CONTROLS ON THE MEAT PACKING INDUSTRY, AND THE IMPLICATIONS FOR POSTWAR POLICY

by
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COMMITTEE ON RECONSTRUCTION

WARTIME CONTROLS IN THE MEAT PACKING INDUSTRY

Professor W.M. Drummond

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I. ORDERS AND REGULATIONS IN FORCE

1. Regulations affecting directly the aggregate volume of output.

(a) Prior to the war prices of pork products, whether sold in Canada or exported, were highly flexible and subject to frequent changes. Moreover each exporting packer was legally free to decide when and how much to export. In deciding whether, how much, and when to export the existing or probable relationship between domestic and export prices was the main determining factor. Under these circumstances the volume of exports tended to fluctuate widely and domestic and export prices tended to coincide.

Since the first Bacon Agreement between the British and Canadian Governments was made in the autumn of 1939 arrangements re hog product exports to Britain have been subject of annual contracts between the two governments. In these contracts the amount and kind of product to be sent is stipulated. So also is the degree of regularity of shipment. Moreover the price to be paid is a fixed price. To implement the contracts on behalf of Canada a special agency known as the Bacon Board was set up. The nature of its organization together with a general outline of its powers is described in P.C. 4076. Amendments to the regulations of the Board may be found in P.C. 4248, P.C. 4353, P.C. 2762 and P.C. 3577. The general object of the Bacon Contracts and the Bacon Board is to insure that regular and sufficient supplies will be available for export as required and that Canadian farmers are paid prices sufficient to permit production of these supplies.

(b) During the winter of 1939-40 large quantities of fresh pork were imported into Canada from the United States. When these imports resulted in an accumulation of Canadian storage stocks beyond anticipated domestic and export requirements the Canadian government passed an Order which virtually eliminated further importations. By the terms of P.C. 768, passed February 23rd, 1940, under the authority of the War Measures Act, monthly pork imports were prevented from exceeding an amount equal to the average monthly imports during the period January 1 to September 30, 1939. This restriction was to be brought about on and after February 26th, 1940, by means of a prohibition of fresh and frozen pork except under special license. The order was to continue in force until October 31st, 1940, the date of the ending of the first Bacon Contract. The period of import restriction was extended to March 31st, 1941, by P.C.5886 of October 22nd and P.C. 7540 of December 21st, 1940.

(c) P.C. 2978 passed May 5th, 1941, gave the Bacon Board authority "to regulate the quantity of pork that may be distributed in the domestic market or the number of hogs that may be slaughtered for distribution in the domestic market by any packer or any other person when such action is required to secure the necessary quantities of bacon and other pork products for export to the United Kingdom and, to that end, to limit the number of hogs that may be slaughtered for distribution in the domestic market or the quantity of pork that may be distributed in the domestic market".

On May 16th, 1941, the Bacon Board issued Bacon Board Order No. 1 which stated that on and after May 19th the number of hogs slaughtered or the number of dressed hog carcasses purchased from other than a licensed slaughterer, for distribution in the domestic market in Canada by any packer or other person shall not exceed the weekly average of hogs so slaughtered or dressed carcasses so purchased, respectively by such packer or other person during the year 1940. This order was not to apply to farmers slaughtering hogs produced on their own farms or to retail meat dealers who operate only one retail store. Accompanying this order was Bacon Board Order No. 2 which stated that on and after May 31st, 1941, no packer or other person would be allowed to slaughter hogs or process pork for distribution in the Canadian market without a license to do so from the Bacon Board. It further provided that farmers slaughtering hogs produced on their own farms or retail meat dealers operating only one retail store would not require a license.

Early in June the above orders were supplemented by a Bacon Board appeal to Canadians to curtail pork consumption on patriotic grounds.

On July 22nd, 1941, the Bacon Board notified all packers that, beginning the following day, they would be required to reduce the number of hogs slaughtered or the number of hog carcasses purchased for distribution in the Canadian market by a further 25 per cent. In the case of multiple plants a flat reduction of 25 per cent was required in their entire domestic quota, and packers were required to file with the Board at once their plans for pro-rating the reduction between their several plants.

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(d) During the spring and first part of the summer of 1941 the strong domestic demand in the United States coupled with Government purchases under the food-for-defence programme caused pronounced hog price rises in United States markets. In June and July these higher U.S. prices were attracting Canadian hogs in spite of the fact that several increases had been made in Canadian export bacon prices. In view of this and the fact that supplies were urgently needed to maintain shipments to Britain, the Bacon Board decided to prohibit exports to other countries. By the terms of P.C. 5532, July 22, 1941, exports of live hogs to all countries and of edible pork products except lard to any but the United Kingdom and dependencies were prohibited except under special license. The order became effective on July 23.

(e) In order to insure that each hog marketed makes its fullest possible contribution to the total amount of pork products required, Bacon Board Regulation No. 56, passed December 4, 1941 and effective from December 15, 1941, required that exporting packers should not slaughter hogs that weigh less than 130 pounds carcass weight. Since it was recognized that certain lightweight hogs such as cripples or unthrifty pigs would have to be slaughtered, a tolerance of one-quarter of one per cent of carcasses below 130 pounds were permitted in any one week's kill. However, no hog weighing less than 170 pounds live weight was to be slaughtered without the permission of the graders of the Dominion Department of Agriculture. This regulation was amended by regulation No. 59, January 29, 1942. This amendment raises the tolerance from one-quarter to three-quarters of one per cent in any one week's kill.

These regulations were made applicable to all persons licensed by the Board to slaughter hogs for distribution in the domestic market by Bacon Board Regulation No. 60 passed February 17, 1942 and effective from March 2, 1942. In this later regulation, however, a tolerance of three-quarters of one per cent was permitted.

Still more recently the Board has revised the price schedule for export Wiltshires, whereby weights from 65-75 pounds will henceforth be bought at the price formerly prevailing for 65-70 pound sides, and 75-80 pound sides will be bought at the same price previously paid for 70-80 pound sides. This is being done to further encourage the shipping of heavier sides and the marketing of heavier hogs, the understanding being that packers will discontinue discounts on B3 carcasses.

2. Regulations Relating to Plant Construction, the Installation of New Equipment, etc.

The government began to exercise special control over the construction and equipping of plants in the spring of 1941. By that time the scarcity of materials, equipment, labour and foreign exchange relative to existing and prospective demands for them was sufficiently acute to warrant the taking of steps whereby supplies sufficient for the special war needs would be guaranteed. In addition it was felt that all building activity not immediately necessary might well be postponed in the interest of post-war employment and economic conditions generally.

Accordingly a special order in council (P.C. 3481) passed on May 16, 1941, provided for the control of such new construction, expansion of existing facilities, and for replacement of equipment, as are not essential for the successful prosecution of the war. In other words its central aim was to control in such a way that the available supplies of materials, equipment and labour would be reserved for necessary war-time undertakings.

More specifically the order stated that "whether or not he shall have previously entered into any contract or made any commitment with respect thereto, unless he shall have obtained from the officer (i.e. the Priorities Officer or Deputy Priorities Officer) a license for any such purpose, no person shall after the 29th day of April, 1941,

(a) install in any plant or building any equipment, purchased or otherwise acquired by such person subsequent to such date at a total cost, for all the equipment so installed in each individual project, exceeding five thousand dollars ($5,000); or

(b) build, erect or construct any building or buildings at a total cost,

for the erection of the building or buildings in each individual project, exceeding ten thousand dollars ($10,000); or

(c) make repairs to any building or buildings at a total cost for the making of the repairs in each individual project, exceeding twenty-five hundred dollars ($2,500)."

Sub-clause 2, clause 2 of the Order states that nothing contained in this section shall restrict, extend, limit, supercede, or in any way alter or affect the provisions of any previous or later order issued by any controller appointed pursuant to The Department of Munitions and Supply Act and The War Measures Act, or by The Wartime Prices and Trade Board or by an Administrator appointed by that Board.

Clause 5 provides that the Officer may issue, from time to time, any general or special orders needed to give effect to, and carry out, the intent and purpose of this Order in Council.

Clause 7 states that "Whenever in this Order in Council an amount in money is fixed as a limit to the cost of equipment, or of a building, or of repairs, which may be purchased, installed, erected or made, without a license from the Officer, the Minister of Munitions and Supply may, by written order, from time to time and in his absolute discretion,

(a) increase, decrease or otherwise alter or amend such amount; and/or

(b) fix and alter the period within which the amount expended for any such purpose shall not exceed the amount so fixed;
provided that any such increase, decrease, alteration or amendment, and/or the fixing or alteration of any such period may be of general application or apply only to any one or more of such classes or kinds of enterprises, trades, businesses or industries as the Minister may direct."

On June 17, 1941, P.C. 4320 was passed excluding churches, public hospitals, educational institutions and buildings financed by provincial governments from the operation of P.C. 3481.

P.C. 6656 of August 26th, 1941 provided for the appointment of a Controller of Construction and P.C. 6985 of September 5, 1941 provided for the appointment of a Deputy Controller of Construction.

In order to clarify and amend and to extend the powers and duties of the Controller of Construction P.C. 660 was passed on January 30, 1942. This order was substituted for all those previously passed. In addition to setting forth the regulations and controller's powers in detail, this Order made some general changes in the amount of new building and equipment that might be undertaken. Specifically it was stated that no person shall (a) install in any plant any equipment at a total cost exceeding $5000 for all equipment so installed in each project; (b) construct any plant or make repairs, additions or alterations to any plant at a total cost exceeding $5000 for each project, or (c) construct, or make repairs or alterations or additions to any building other than a plant and/or install therein any equipment, at a total cost above $5000 for all of such construction, repairs, alterations, additions and installations included in one project.

It was provided, however, that the extent of expenditures indicated above could be increased or decreased in specific cases at the Controller's discretion

3. Regulations Affecting the Diversity of Products or Adaptation of Technique for New Products.

(a) The various regulations whereby reductions were made in the amount of pork that might be distributed in the domestic market. These regulations were provided for in P.C. 2978 passed May 5, 1941, Bacon Board Orders Nos. 1 and 2 issued May 16, 1941, and Bacon Board appeals to consumers to curtail pork consumption, and the Bacon Board notice given to all packers on July 22, 1941 and which required a further 25 per cent reduction in the amount of pork distributed for domestic consumption. (See 1 (c) above.)

(b) Under the War Exchange Conservation Act, all importers of vegetable oils are being restricted to 104 per cent of their average 1938-1940 imports for the eighteen months July 1 to December 31, 1942.

Oils from Empire sources which involve no hard currency payments are not included in this quota, but very little such oil is available on account of shipping difficulties.

In view of the above-mentioned reduction in vegetable oil imports manufacturers of shortening have been requested to change over to a blended shortening in place of the pure vegetable shortening. The blended product is one involving the use of animal fats in combination with vegetable oils.

(c) P.C. 10150, December 31, 1941, prescribed certain standards of quality of manufactured meat products. The Order stated that "The cereal content of any manufactured meat products or meat by-product shall be estimated on the basis of the content of starch and lactose and shall not exceed 5 per cent by weight of the finished product. The moisture content of such products shall not exceed 60 per cent by weight." Also "sausage binder, sausage filler, meat binder, used in making manufactured meats, meat products and by-products shall be any combination of cereal as above stated, salt, sugar, spices and other seasonings, and the label of every package shall bear directions for use."

4. Regulations Affecting the Standardization or Reduction in Variety of Products.

Under this heading are included several of the regulations made by the Bacon Board. The general object of these regulations has been to develop standardized practices and secure the greatest possible uniformity of product. The desire has been to secure not only a uniform product but a uniformly high quality of export pork product. In addition to specifying the requirements for each grade of product exported the Bacon contracts have stipulated that as high a percentage of total exports as possible be of top grade quality. In order to bring about the tremendous export expansion called for by the Bacon contracts and at the same time maintain the pre-war export quality standards it has been necessary to encourage by every means possible the following of industrial practices which make for quality improvement. This has been all the more necessary inasmuch as the government's aim has been not merely to maintain quality but to definitely improve it.

Bacon Board requirements to this end have included the following:

(a) Regulation No. 9 of January 12th, 1940 required exporting packers to submit a statement setting forth the length of time bacon had been in store, the condition under which it had been stored, and an opinion as to how long it might be kept in storage before being replaced.

(b) Regulation No. 11 of February 2, 1940, required packers to observe the following rules when storing pork products:

(1) All products must be wrapped with waxed paper prior to freezing, or water glazing of products may be done in lieu of paper wrapping, but water glazing will not be permitted at public cold storage.

(2) Products put into freezer should be on the basis of not less than 65% Wiltshires and not more than 35% cuts. The Board will not pay storage charges on more than 35% cuts of the total products stored.

(3) Holding room freezer temperature should be maintained at a steady temperature without fluctuation at approximately 8 degrees F. and shall not go below zero or above 10 degrees F. The Board, at any time, may require a packer to furnish records of temperatures at which holding room freezers are maintained.

(4) All product stored must be from dressed hogs adequately chilled and which have been hanging in the chill room not more than 48 hours.

(5) Each packer shall file weekly a statement which shall include details in respect to the quantity, kinds and length of time the product is in freezer.

(6) The Board have arranged that the Veterinary Inspectors of the Health of Animals Branch will act as representatives of the Board in respect to products in storage for export, and the processing, handling, and conditions of the product in storage may be subject to inspection at any time.

(7) It is recommended that products should not be held in freezer for more than four months. The length of time product will be left in freezer will

ordinarily be left to the discretion of the packer but all export product in freezer may be ordered out for shipment at any time by the Board.

(c) Regulation No. 20, February 27, 1940, required all packers to be responsible for their product until placed on board steamer.

(d) Regulation No. 23, April 2, 1940, stated that all claims for weight shortage, and for other reasons, assessed by The British Ministry of Food against Canadian product, when approved by the Manager of the Board, would be deducted from the final settlement to each Canadian packer, for the product on which claim was made.

(e) Regulation No. 24, issued April 2, 1940, set forth a detailed list of conditions which packers were to fulfil in respect to the handling of export meats during the summer season. These conditions covered all stages of handling from the draining room until the product was on board ship and related particularly to the maintenance of specified temperatures in draining rooms, holding rooms and on refrigerator cars.

(f) Regulation No. 29, issued April 17, 1940, ordered all packers to apply borax on certain parts of Wiltshire sides and gave detailed instructions as to the mode of application and areas to be treated.

(g) Regulation No. 31, issued May 11, 1940, required packers to readjust the weight of product shown to have been placed in freezer on a uniform basis and in accordance with a schedule as set out by the Board.

(h) Regulation No. 32, issued June 5, 1940, set limits to temperatures of carloads of bacon, made the Cargo Inspector of the Dominion Department of Agriculture the official recorder of temperatures, and provided for the refusal to accept the product of any packer not complying with the official temperature requirements.

(i) Regulation No. 33, issued June 5, 1940, stated that all pork products for export to the United Kingdom "shall comply with the grading requirements of the Dominion Department of Agriculture, and that the workmanship and butchering shall be in accordance with the standards prescribed in the said Bacon Grading Regulations."

The Government Inspector at Canadian seaborad is instructed and authorized to reject any shipments arriving at seaboard in which the product does not conform to the grading and standards prescribed in the Bacon Grading Regulations of the Department of Agriculture and the standard and practice prescribed in the publication "Canadian Standards for the Preparation of Wiltshire Sides" as issued by the Market Service of the Dominion Department of Agriculture.

(j) By Regulations No. 36, issued September 5, 1940, the Bacon Board undertook to pay for icing of cars in excess of two icings at seaboard in the months May to September inclusive, and one icing in the months October to April inclusive, where it is established that delay in car movement was beyond the control of the shipper.

(k) Regulation No. 38, issued September 11, 1940, outlined in detail standard procedure governing weighing, allowances for shrink, packaging and tare weights of export bacon.

(l) Regulation No. 39, September 25, 1940, required packers to carry out a test to determine the shrink on fresh frozen bacon after curing, as compared with the shrink on cured fresh product.

(m) Regulation No. 41, November 14, 1940, outlined in detail a set of requirements respecting "winter season handling of export meats from the draining room until on board ship."

(n) Regulations 56, effective December 15, 1941 and 60, effective March 2, 1942, prohibiting the slaughter of hogs the dressed carcasses of which weigh less than 130 pounds. (see I (c) above.)

(o) Regulation 55, effective January 1, 1942, provides that if an Inspector, when examining bacon at seaboard finds one or more "B" grade Wiltshire sides in a bale of "A" grade Wiltshires, he shall examine at least nine more bales from the same railway car. Should more than one "B" grade side be found in the ten or more

bales examined, an assessment shall be made against the shipper. For a first offense the assessment shall be 60¢ per 100 pounds against a percentage of all the sides in a car equal to the percentage of error found in the bales examined. For a second or later infringement by any one plant within sixty days of the time the shipment leaves the plant, the amount of the assessment will be doubled.

(p) Regulation 57 requires that all fresh pork products, as described in Section A below, held in storage by exporting packers at November 29, 1941, and all such fresh pork products placed in freezer during the remainder of the 1941-42 Bacon agreement shall be held for the account of the Board for export to Britain, subject to the following:

(1) Fresh pork products shall include all standard cuts and all half carcasses or portions thereof from which standard cuts may be made.

(2) Heads, feet, spare ribs, tenderloins, jowls, trimmings or pork offals, and any sows and stag carcasses or product thereof shall not be included in product described in paragraph (a).

(3) For the purpose of differentiating between what has been known as domestic stocks and export stocks, the above stocks shall be known and designated storage as "Export B" product.

(4) A packer may remove from freezer Export B product for distribution in the domestic market, but if he does so he must deliver to the Board for export an equivalent amount of export product.

5. Regulations Affecting Raw Materials and Supplies: Their Availability and Price.

(a) Order in Council 768 issued February 23, 1940, restricting imports of United States pork together with the two later orders which extended the period of restriction. (See 1(b) above for details).

(b) The various regulations made during the spring and summer of 1941 whereby reductions were made in the amount of pork products that could be consumed in the domestic market. (See 1 (c) above for details).

(c) P.C. 2621, September 9, 1939, established the Agricultural Supplies Committee. Among other things this Committee was given power to regulate the distribution of feed, seed, fertilizers, and other materials needed in producing farm products. It was also empowered to initiate and submit to the Wartime Prices and Trade Board measures aimed at preventing abnormal relationships between prices of materials used in agricultural production and the prices of agricultural products. Order in Council 948, March 16, 1940, provided for the setting up of the Agricultural Supplies Board which agency has since performed the functions previously delegated to the Agricultural Supplies Committee.

(d) P.C. 2696, October 7th, 1939, establishing the War Supply Board. This Board was given authority to control or supervise and to make contracts to purchase supplies needed by the Government. In making such contracts tenders were to be called for and purchases were to be made at the lowest price offered except under very special conditions.

(e) P.C. 2716, September 15, 1939, creating Foreign Exchange Control and Regulations. Under these regulations no person could export or import goods, currency, securities, foreign exchange or other property except under and in accordance with the tdrms of a license granted by the Foreign Exchange Control Board. In the same way no person could accept or make payment for any goods exported or imported except under and in accordance with the terms of a permit granted by the Board. Under this order the Board has had the authority to fix the rate of exchange at which foreign exchange in the various currencies may be bought or sold.

(f) P.C. 2785, September 23, 1939, prohibited the export from Canada of wool, top waste and yarn unless a license to export was approved by the Wartime Prices and Trade Board on the recommendation of the Wool Administrator.

(g) P.C. 2975, October 7, 1939, appointed a Hides and Leather Administrator. This official was given authority to arrange for supplies of hides to be imported into Canada and to supervise the purchase, shipment, delivery and allocation of

hides, whether domestic or imported, and, in general, to do whatever was necessary to ensure continuity of supply and fair allocation.

(h) P.C. 3124, October 21, 1939. Under this Order the export from Canada of all fertilizers, except calcium cyanimide, was prohibited until further notice. Moreover the registration of fertilizers and the issuing of prescriptions for the manufacture and sale of fertilizers was limited to the analysis recommended by the Advisory Fertilizer Board of each Province. The aim here was to reduce the number of mixtures and thereby conserve needed fertilizer ingredients and make the most effective use of the limited supplies.

(i) P.C. 148, January 13, 1940, prohibited export of calves stomachs. Rennet is essential as a coagulating agent in the manufacture of cheese and is obtained solely from calves stomachs. Under normal conditions most of the supply used in making Canadian cheese was procured from Poland. This source having been cut off before the end of 1939 it became necessary to rely upon the supply of calves' stomachs available in Canada. Exportation of rennet from Canada was prohibited by P.C. 2169 June 1, 1940.

(j) P.C. 1473, April 20, 1940, ordered that licenses for the export from Canada of cod livers and cod liver oil be withheld unless approved by the Wartime Prices and Trade Board. In the pre-war years 75 per cent of thd cod liver oil used in Canada had to be imported mainly from the United Kingdom and Norway. Much of this oil was used in the manufacture of livestock feeds, especially poultry feeds. The restriction on exports from Canada became necessary because of increasing inability to secure the normal supplies from the normal outside sources.

(k) P.C. 2876, April 24, 1941, gave the Special Products Board authority to prohibit eggs being placed in cold storage until after June 10, 1941. The purpose of this order was to assist the Special Products Board in filling an order for 180,000 cases of eggs on behalf of the British Ministry of Food. The filling of the order was bound to tax Canada's egg producing capacity and it was felt that speculative buying for cold storage might reduce the quantity available for export.

(l) An order of July 31, 1941, prohibited export of the following commodities unless approved:

(a) Agricultural and vegetable products-grain screenings.
Vegetable protein feeds.
Miscellaneous feeds.

(b) Animals and animal products.
Tankage, meat meal or meat scrap containing over 6.5% of ammonia.
Dried blood.
Bone meal.
Fish meal.

(m) Under the War Exchange Conservation Act, all importers of vegetable oils were restricted to 104 per cent of their average 1938-40 imports for the eighteen months July 1, 1941 to December 31, 1942. Oils from Empire sources which involve no hard currency payments were not included in this quota, but little such oil was available on account of shipping difficulties. In view of the above-mentioned reduction in vegetable oil imports manufacturers of shortening were requested to change over to a blended product as completely and rapidly as possible. The blended product is one involving the use of animal fats in combination with vegetable oils.

(n) The budget of June 1940 introduced a war-exchange tax of 10 per cent on all imports from non-Empire countries. While this tax was designed mainly to reduce civilian demand upon the country's supply of American funds the revenue aspect was also quite important. The effect of this tax was supplemented after December 2, 1940, when the Minister of Finance introduced the War Exchange Conservation Act. This Act absolutely prohibited the importation of a long list of non-essential imports from non-sterling countries and provided for the gradual reduction of a further list from the same countries. It also provided for the reduction of the tariff on a schedule of items imported under the British Preferential tariff, the general purpose being to discourage the importation of goods from hard currency countries and to encourage trade with sterling-area countries.

(o) Bacon Board Regulation No. 29 of April 17, 1940, required export packers to borax export Wiltshires in accordance with a specific set of instructions. This action was taken following a request to this end made by the British Ministry of Food. The regulation required the packers to secure enough borax for immediate needs and to arrange for sufficient additional quantities to carry on boraxing uninterruptedly. They were also required to equip themselves with the equipment needed to apply the borax. This included shakers or sifters of fine haired brushes.

(p) P.C. 8648, November 7, 1941, prohibited the importation into Canada except under permit issued by the Minister of National Revenue of cork or cork products. Imports were made subject to permit in order to control and regulate the supply of commercial cork.

(q) P.C. 1622, March 7, 1942 prohibited the export from Canada, except under special permit, of wax, animal, without admixture; candles; feathers including down, in natural state or processed.

(r) Order No. 97 of the Wartime Prices and Trade Board, February 10, 1942 prohibited certain industrial users of sugar from using in any quarter more than 80 per cent of the amount of sugar used in the corresponding quarter of 1941. Among such users were canners and preservers of fruits or vegetables. Industrial users, not specially listed, were prohibited from using more sugar in any quarter than in the corresponding quarter of 1941.

(s) P.C. 911, February 13, 1942, prohibited the export, except under permit of :

Copra oil cake meal.
Dried brewers' yeast.
Corn, whole, ground or cracked.
Hominy and corn grits.
Edible molasses.

(t) Order No. S.C.7 issued by the Steel Controller on December 18, 1941, stated that "on and after December 27, 1941, no person, unless the Controller issues a permit therefor, shall buy or acquire or use new or second hand, plain or fabricated steel plates, structural shapes, or bars for the construction, remodelling or repair of any building, container-tank, boiler, tower, conveyor or other stationary structure."

(u) P.C. 4366, June 17, 1941 enumerated a list of articles which could not be exported without special permit. This list included various kinds of vegetable oils. An export permit Branch Order No. 16 of November 19, 1941, deleted from the list of articles mentioned in the June 17 Order the following:

Cooking fats, other than lard.
Corn oil, crude or refined.
Palm oil, crude or refined.
Peanut oil, crude or refined.
Vegetable oil fats.
Vegetable soap stock.

(v) Various request orders requesting the use of wooden and fibre containers to replace metal ones.

6. Regulations re Labour Supply, Wage Rates, Working Schedules, Etc.

(a) P.C. 3495 of November 7, 1939 extended the provisions of the Industrial Disputes Investigation Act to apply in respect of any dispute between employers and employees in industries engaged in war work. More particularly such industries included those engaged in the construction, execution, production, repairing, manufacture, transportation, storage or delivery of munitions of war or supplies. "Supplies" included materials, equipment, goods, stores and articles of every kind including those which might be considered essential for the needs of the Government or the community.

(b) P.C. 2685 was passed June 19, 1940. This Order was really a declaration by the Government of certain principles for the regulation of labour conditions during the war. It was believed that the acceptance of these principles by employers and employees would make for the avoidance of industrial strife and the greatest

possible speeding up of production. The principles recommended included:

(1) That every effort be made to speed production by war industries.

(2) That fair and reasonable standards of wages and working conditions should be recognized and that where any temporary adjustments in remuneration were made, due to war conditions, they should be in the form of bonus payments.

(3) That hours of work should not be unduly extended but that when increased output is desired it should be secured as far as possible by adopting extra shifts throughout the week.

(4) That established safeguards and regulations for the protection of the health and safety of workers should be maintained, and that every precaution be taken to insure safe and healthful working conditions.

(5) That there should be no interruption in operations because of strikes or lockouts. Where any difference arises which cannot be settled by negotiation between the parties, assistance in arranging a settlement should be sought from the Government Conciliation services, and failing settlement by this means, it should be dealt with in accordance with the provisions of the Industrial Disputes Investigation Act.

(6) That employees should be free to organize in trade unions, free from control by employers or their agents.

(7) That employees, through the officers of their trade union or through other representatives chosen by them, should be free to negotiate with employers or their representatives re rates of pay, hours of labour and other working conditions, with a view to concluding a collective agreement.

(8) That every collective agreement should provide machinery for the settlement of disputes arising out of the agreement, and for its renewal or revision, and that both parties should carefully observe the terms and conditions of any agreement entered into.

(9) That workers, in exercising their right to organize, should use neither coercion nor intimidation of any kind to influence any person to join their organization.

(10) That any suspension which may be made of labour conditions established by law, agreement or usage, necessary to speeding up wartime production, should be brought about by mutual agreement and be understood to apply only during the emergency period.

It was further advised that employers should make the fullest possible use of the Employment Service of Canada when searching for extra workers; also that employers might well make fuller use of the practice of contacting trade unions when needing extra labour supplies.

(c) At the same time as the above order, viz: June 19, 1940, P.C.2686 was passed. This Order established The National Labour Supply Council, to advise on any matters relative to labour supply which might be referred to it by the Minister of Labour. The Council was to be composed of five representatives of Industry and five representatives of Labour, chosen in consultation with the most representative organizations of Industry and Labour, and an impartial chairman to be appointed by the Minister.

(d) By P.C. 6286, passed November 7th, 1940, no employer was allowed to

(i) advertise in any newspaper, periodical or magazine.
(ii) write, send or publish any letter, circular or notice, or
(iii) display any poster, or other document conveying to the public any information for the purpose of engaging or employing anyone in any establishment, or referring to employment therein or designed or intended to induce any worker or employed person to enter the employ of any such employer, without stating clearly in any such document words to the following effect:

"Applications will not be considered from people employed by employers engaged in producing supplies for the armed forces

unless such employee is not actually employed in his usual trade or occupation."

In the same way no employer was to solicit workers to leave the work they were already engaged upon so as to enter his employ unless the worker concerned was not actually employed at his usual trade or occupation.

Employers contravening the order were to be liable to a fine up to $500.

(c) P.C. 7440, passed December 13, 1940, reaffirmed the principles laid down in P.C. 2685 of June 19, and set forth the following principles of wartime wage policy to apply to conditions in industries coming under the I.D.I. Act as extended by P.C. 3495, November 1939, viz:

(1) Minimum wage standards set by provincial law or regulation were to be regarded as minimum standards only.

(2) Wage rates in effect at December 13, 1940 were not to be reduced because of this order.

(3) Wage rates established in any industry or trade during 1926-29, or any higher rates arranged between that period and the present were to be considered fair and reasonable unless it can be shown that a wage rate was unduly low or high during that period because of exceptional circumstances. In such special cases it was provided that a board could adjust the rate to what it considered fair and reasonable.

(4) Where it is shown that the wage levels of 1926-29 if restored would be out of line (i.e. above present prevailing rates) wage increases granted in any calendar year to be limited to 5 per cent of the prevailing rates.

(5) To assure workers that their living standards would not be lowered because of wartime rises in living costs, a wartime cost-of-living bonus, independent of basic wage rates, might be paid. In deciding the extent of this bonus, the following points were to be observed.

(i) Cost of living changes were to be measured by the new Cost of Living Index with such adjustments as regional requirements might indicate.

(ii) The amount of the bonus was to be determined not oftener than every three months and no bonus was to be paid at all unless the cost of living had risen at least 5 per cent from August 1939 or from any date subsequent to August 1939 at which a wage increase had been granted; thereafter no further bonus was to be paid until and unless the cost of living had risen 5 per cent from what it was when the previous bonus was determined and no bonus was to be decreased unless the cost of living fell 5 per cent from the level existing when the last bonus was determined.

(iii) The bonus was to be a flat amount per hour or week uniform for all workers and calculated so as to protect the worker against increases in the cost of basic necessaries of life.

(6) Special arrangements re shifts and working hours to meet the need for increased speed and volume of output were to be made by mutual agreement and were to apply only while the emergency lasted. At the same time the health and safety of workers were to be safeguarded.

(7) In industries where continuous operation was necessary or where a three-shift basis could not be operated successfully, arrangements should be made to give workers at least one day's rest in seven, and any extra rest needed to ensure maintenance of a rest period properly related to the work period. Where such arrangements are made overtime rates of pay should be adjusted to meet the conditions in a manner reasonable to both employers and employees.

(8) Where the interests of war production require the suspension of workers, a condition of such suspension was that workers, who so desire, should be restored to their positions as soon as the emergency was over.

(9) The Registrar of the I.D.I. Act was to record such suspensions or departures from trade practices during the war so as to facilitate restoration after the war.

(10) In case of any dispute in which a contract with a government department is involved, the Board of Conciliation and Investigation considering the case shall give the department concerned the privilege of submitting a brief concerning the government's views.

Order 7440 was passed because experience had shown that the methods provided for by P.C. 3495 had not worked well enough in many cases, and because those methods, even if otherwise satisfactory, would have resulted in countless arbitrary decisions and deprived labour organizations of their legitimate functions.

(f) P.C. 3884, May 30, 1941, set new and higher minimum wage rates than those established by P.C. 3271 of December 1934. For male employees over 18 years of age and any employee holding a certificate from a recognized pre-employment school under Canada's War Emergency Training Programme, the mimimum wage was set at 35 cents an hour instead of 30 cents as previously. The rate for female employees over 18 years was raised from 20 to 25 cents an hour. However employers were permitted to employ beginners in a trade on condition that wages were 20 cents per hour for the first four weeks, 25 cents for the second four weeks, 30 cents for the third four weeks and 35 cents thereafter. These changes were made because a number of serious disputes had arisen over wage rates at or near the former mimima and it was desired to allay industrial unrest and avoid disputes.

(g) P.C. 4020, June 6, 1941 provided for the setting up of an Industrial Disputes Inquiry Commission. It was to consist of three members appointed by the Minister of Labour to act as Commissioners under the Inquiries Act. This Commission was really to deal with many cases where Boards of Conciliation were being applied for but where, it was felt, satisfactory settlements could be effected without recourse to such Boards. The Order gave the Minister of Labour power to refer any dispute to the Commission which was to make a prompt preliminary investigation of the matter and arrange a settlement if possible. Where no mutually satisfactory settlement was reached, the Commission was to inform the Minister re the nature of the dispute and suggest whether it warranted appointment of a Board of Conciliation. In short it was hoped that prompt treatment by the Commission would settle many disputes before they became too serious and that the necessity of appointing special Boards would be minimized.

(h) P.C. 4642, June 25, 1941, extended the provisions of P.C. 6286, November 7, 1940 re labour enticement to all industries.

(i) P.C. 4643, June 27, 1941, made certain amendments to P.C. 7440 re cost of living bonuses. An important change was the clause which stated that "for each rise of 1 per cent in the cost of living the amount of the bonus shall be 25 cents per week, except for male workers under 21 years of age and female workers who, if employed at basic rates of less than 50 cents an hour on jobs not ordinarily assigned to adult male workers, shall receive a bonus of 1 per cent of their basic wage rates."

(j) P.C. 4758, June 27, 1941 stated that "any employer by whom a person accepted for service in His Majesty's Forces was employed when accepted for such service must reinstate him in employment at the end of that service in such occupation and position and under conditions not less favourable to him than those which would have applied to him had he not enlisted; provided, that the right to reinstatement shall be subject to established rules of seniority in that employer's establishment, with retention of seniority rights during the employee's period of service with the Forces or, in an absence of such rules, to preference according to dates of first employment in the employer's service. Section 4 gives certain grounds on which employers may be exempted from having to reinstate returned workers. Section 5 states that, once an employer has reinstated a returned worker, he cannot dismiss him within six months without proving sufficient cause for so doing. Section 6 prohibits an employer from dismissing an employee because he expects such dismissal will result in the employees being accepted in the armed forces.

(k) P.C. 8253 passed October 24, 1941 provided, among other things, for a National War Labour Board, and ordered that no employer shall increase the basic scale of wage rates paid by him as at November 25, 1941, without the written permission of that Board. The Order also required employers to pay a cost-of-living bonus to all employees except those above the rank of foreman or comparable ranks.

(l) P.C. 9298, November 27, 1941, established rules for determining when employees should be considered above the rank of foreman stated when such employees were or were not entitled to bonuses, gratuities or shares of profits or cost of living bonuses, indicated the extent of such bonuses, etc., and the conditions under which they could be paid.

(m) P.C. 9514, December 5, 1941 made certain amendments to P.C. 8253 of October 1941 which provided for the setting up of the National War Labour Board etc. The amendments made the provisions of the earlier Order apply to smaller employers not covered by it, established a Regional War Labour Board for each province, prohibited employers from reducing wages without permission, and clarified the relationship of P.C. 8253 to Provincial minimum wage laws. The amended order made the provisions apply to all employees except Dominion or Provincial governments, farmers, fishermen, hunters, and trappers, religious, charitable and educational institutions, and employers of domestic servants. The following regulation was also added: "Notwithstanding any provision of any collective agreement with respect to working conditions, either party to any such agreement may apply to the National War Labour Board for the revision or suspension of any such conditions and the Board shall have power to direct any revision or suspension not inconsistent with the provisions of this Order which it may deem advisable."

(n) The Unemployment Insurance Benefit Regulations, made by the Unemployment Insurance Commission, were approved on January 13, 1942.

(o) P.C. 1774, March 9, 1942 gave the Minister of Labour power to authorize anyone to act as his representative or as an inspector in connection with administering the Wartime Wages and Cost-of-Living Bonus Order (i.e. P.C. 8253 of October 24, 1941.) Any person so delegated by the Minister was given authority to enter any place of employment and make any investigation necessary to find out whether provisions of the Wartime Wages and Cost-of-Living Bonus Order is being lived up to. The Order also requires employers to furnish any information relative to this matter asked for by the inspector. Any employer who fails to give the information requested or delays or obstructs work of the inspector is made liable to a $200. fine. Inspectors were to be provided with identification cards.

(p) P.C. 1445, March 2, 1942, provided for the establishment and maintenance of an inventory of employable persons. Such an inventory was considered an essential prerequisite to the effective use of Canada's labour supply in the war effort. Prior to passing the Order the Department of Labour, in co-operation with the Unemployment Insurance Commission and the Dominion Bureau of Statistics, had experimented in establishing a partial inventory of over two million employees insured under the Unemployment Insurance Act, had classified them by location, occupation, employer, sex and age, and had decided that it was quite feasible to set up and maintain such an inventory.

(q) P.C. 2254, March 21, 1942, provided for the appointment of a Director of National Selective Service along with an Associate Director. Their duties were "to co-ordinate the policies and activities of the departments and agencies of the Government which affect or relate to the demand for and supply of labour needed to prosecute the war in all its phases, to make any necessary recommendations in connection therewith, and generally to perform such other duties as the Governor in Council might direct. The order also provided that the representatives of employers and employees on the Executive Committee of the National War Labour Board should be made members of the Interdepartmental Committee on Labour Co-ordination which Committee was to advise the Director of National Selective Service on matters re the development and administration of the National Selective Service programme. The Order also provided that "The Director of National Selective Service shall appoint an officer for each area assigned by the Unemployment Insurance Commission to a local employment and claims office." This officer was to represent the Director in such area.

(r) P.C. 2253, March 21, 1942 arranged for the transference of the duties, powers and functions vested in the Minister of National War Services relating to conducting national registrations, etc. to the Department of Labour.

(s) P.C. 1955, March 13, 1942 provided that every employer employing one or more people in insurable employment shall register all of his employees whether they are engaged in insurable employment or not, on forms provided by the Unemployment Insurance Commission. This was to aid in carrying out the provisions of the Unemployment Insurance Act, 1940, and also provide the information needed by the Minister of Labour in establishing the inventory of employable persons as mentioned above.

(t) P.C. 1840, March 10, 1942 authorized the Minister of Labour to provide for the extension and improvement of training in personnel management and to appoint a Director of Personnel Training to take charge of this development. In deciding on this course the Government stated that problems of personnel administration in the war industries were becoming more important; and that adoption of clear-cut personnel policies and their administration by effective personnel departments tend to remove misunderstanding and lead to fuller co-operation between employers and employees. It was felt also that it would lead to more efficient prosecution of the war effort were the Government to facilitate the training of the right people in the fundamental principles and practice of personnel management.

7. Regulations Affecting Selling Prices.

(a) P.C. 2516, September 3, 1939 provided for the creation of the Wartime Prices and Trade Board. Its duties were to provide safeguards under war conditions against any undue-enhancement in the prices of food, fuel and other necessaries of life, and to ensure an adequate supply and equitable distribution of such commodities.

(b) P.C. 3776, November 22, 1939, authorized the Wartime Prices and Trade Board to fix maximum prices for wool.

(c) Three annual contracts have been made between the British and Canadian governments whereby stipulated amounts and qualities of bacon and other pork products are to be sold by Canada at fixed prices.

(d) P.C. 6410, November 13, 1940 gave the Wartime Prices and Trade Board authority to fix the price of butter. An Order of the Board of December 27, 1940, fixed the wholesale butter price at 35 cents basis Montreal.

(e) P.C. 7373, December 13, 1940, gave the Wartime Prices and Trade Board power to prevent any person from taking advantage of the War Exchange Conservation Act, 1940, to increase the price of goods more than was justified by changes in costs of production and distribution.

(f) The various steps taken by the Bacon Board during the spring and summer of 1941 whereby limits were placed on the amount of pork products that could be offered for sale in the domestic market. See 1(c) above for details particularly re P.C. 2978 which gave the Board authority to limit distribution of pork in Canada.

(g) P.C. 5532, July 22, 1941 prohibited exports of live hogs to all countries and of edible pork products except lard to any but the United Kingdom and Dependencies. See 1(d) above for details.

(h) P.C. 3175, May 5, 1941 amended the 1940-41 Bacon agreement so as to provide for an advance in the price paid by the Ministry of Food. This change resulted in an advance of $1.00 per hundred pounds in the price which the Bacon Board paid packers for export bacon. During June and July further increases of 75 cents, 75 cents and $1.00 per hundred were announced by the Board. These advances were the result of special subsidies on the part of the Canadian Government.

(i) P.C. 3696, May 30, 1941 provided for raising the price of cheese 1 cent a pound by means of government subsidy. In the meantime the Dairy Products Board had ordered that, commencing on the 26th of May 1941, all cheddar cheese produced in Ontario and Quebec was to be exported. The effect of this on supplies and therefore on selling price in the domestic market was bound to be considerable.

(j) P.C. 3028, July 8, 1940, prohibited export of hides and skins except when approved by the Hides and Leather Administrator of the Wartime Prices and Trade Board. P.C. 4767 July 2, 1941 gave the Administrator power to fix the maximum price or markups at which any hides and skins may be sold or offered for sale. A further Order of the same date required packers and all other dealers in hides to secure licenses from the Board at $1.00 each on and after August 16, 1941.

(k) P.C. 1473, April 11, 1940 prohibited the issuing of licenses to export cod liver oil or cod livers unless approved by the Wartime Prices and Trade Board. P.C. 2666 June 20, 1940 made a similar requirement re fish livers, fish oils, fish liver oils and fish visceral oils. P.C. 5678, July 31, 1941 made similar restrictions on the export of tankage, meat meal or meat scrap containing over 6.5% ammonia, dried blood, bone meal and fish meal. P.C. 3124 October 12, 1939 prevented the export of fertilizers unless export was recommended by the Minister of Agriculture. P.C. 9935 December 23, 1941 prohibited export except under license of beef and calf pancreas on and after December 30, 1941. P.C. 2315 March 24, 1942 prohibited export, except under permit, of beef and veal, dressed, and other edible beef and veal products. P.C. 2450 March 27, 1942 prohibited export, except under permit, of the following: animal fats and greases, not elsewhere specified, animal glands and glandular organs, cattle, ox, and calf tail hair, including switches, gelatine and gelatine capsules, green salted calf skin trimmings. Hide trimmings P.C. 1371, effective February 24, 1942 prohibited export except under permit, of tomato juice and soups in air-tight metal containers. Order 33 of the Department of Agriculture, December 13, 1941, stipulated that no person could own or hold for his own account in Ontario and Quebec, on January 1, 1942, an amount of cheddar cheese greater than 35 per cent of the amount held on January 1, 1941. During July 1941, packers received request orders from the Wartime Prices and Trade Board stating that, in the Board's opinion, lard prices had gone high enough, and requesting that no further increases in selling prices take place.

(l) Several of the more important regulations of the Bacon Board have affected directly the price received by packers for export pork products. Price schedules have been established and revised by the Board at various times. Regulation 1, December 22, 1939, e.g. set up a schedule of prices for Wiltshires. Regulation 5, January 4, established the invoice price for N.A.A.H.I. Middles. Regulation 13, February 5, 1940 set invoice price for bacon. Regulation 16, February 26, 1940 set the schedule for hams and cuts effective March 4th, and Regulation 17, February 26 set one for cuts in store prior to January 15, 1940. Regulation 30, May 8th, 1940, made a general reduction of half a cent a pound while Regulation 34 increased the price by half a cent. Regulation 40, November 1, 1940 established a new price schedule effective November 4, 1940. Another price list was set forth in Regulation No. 42, December 13, 1940. Regulation 47, May 1, 1941, set up another price schedule for Wiltshires and cuts put into cure after May 2nd, 1941. Still another schedule was set up by Regulation 48, June 2nd, 1941, on product put into cure after June 2nd. Further price lists were established by Regulation 49, June 25 and Regulation 50, July 25, 1941.

(m) Certain controls, by causing increased costs, indirectly contributed to higher selling prices of the products. Among such controls might be included some of the tax increases introduced since and because of the war. For example the Special War Budget of September 12, 1939 removed many articles from the list of those exempt from the sales tax. Among those removed were salted or smoked meats. Other wartime tax increases that have undoubtedly affected costs and therefore prices are the three per cent rise in the corporation income tax, the imposition of the 10 per cent War Exchange Tax on all imports from June 1940, the increased gasoline tax, and the various license taxes and fees established from time to time. In the same way controls requiring higher wage payments have indirectly affected the selling prices of products.

(n) In addition to all the foregoing the prices of products sold by packers have been directly influenced by the establishment of the Maximum Price Regulations which have formed an integral part of the Government's general price-ceiling policy announced in October 1941. The following is a list of the maximum price orders so far announced and which relate to products of the packing industry.

Order No. 65 of the Wartime Prices and Trade Board, November 12, 1941 fixed the maximum price at which cheese made in Ontario and Quebec could be sold at 25 cents a pound f.o.b. factory shipping point. Order 8527 November 1, 1941 set forth The Maximum Prices Regulations in general. The Order stated that "no persons shall after November 17, sell any goods at a price higher than the maximum price charged during the 'basic period' i.e. the four weeks from September 15, 1941 to

October 11, 1941. Where a contract to supply goods was entered into prior to November 17 at a price above the maximum as here indicated, the price shall be reduced to such maximum price. No person shall impose any terms of sale so as to increase the price above the said maximum.

The above regulations re maximum prices were not to apply in the case of goods for export or those sold to the Department of Munitions and Supply.

Order 8818 November 11, 1941 postponed operation of the Maximum Price Regulations until December 1st.

Order 70 of the Wartime Prices and Trade Board, December 9, 1941 set the maximum price for turkeys.

Order 76 of the Wartime Prices and Trade Board, December 16, 1941, further elaborated and clarified the general operation of the maximum Price Regulations.

Order 84 of the Board, January 13, 1942 set the maximum price that a manufacturer of alfalfa meal could charge. At the point of manufacture and exclusive of bags, the price was to be not more than the cost of the hay from which the meal was made plus $6 per ton for grinding, bagging and loading.

Order No. 90 of the Board, January 20th, 1942 fixed the maximum prices for lamb. In the case of frozen lamb, shipped during January to June inclusive, the price could exceed the basic period price by from 1 cent to $2\frac{1}{4}$ cents a pound depending upon the month of shipment. Fresh lamb shipped during January to May inclusive could sell above the maximum prices for autumn lamb by as much as 4 cents a pound depending on the date. Fresh lamb from lambs born in 1942 or December 1941, if shipped before August 15, was exempted from the Maximum Price Regulations.

Order 95 January 27, 1942 set the maximum price at which processors could sell linseed oil and linseed oilcake meal. The oil was set at 71 cents per gallon f.o.b. mills and the oilcake meal at $40 per ton f.o.b. mills.

Order 101, February 10, 1942 set the maximum wholesale carlot prices f.o.b. point of manufacture of feeding tankage or feeding meat and bone tankage, meat scrap, meat meal, meat and bone scrap or meal, and blood meal.

Order 109, March 23, 1942 states that "no packer or wholesaler shall sell or offer for sale any meat or meat product at a price higher than the highest price charged in the four weeks from September 15 to October 11, 1941, by the same packer or wholesaler to the same buyer for the same kind, grade, brand quality and/or cut of meat or meat product; provided, however, that any customary differentials in respect of quality sales shall be continued."

Order 116 March 23, 1942, states that the month of June 1941 rather than the regular basic period (September 15 - October 11) shall be regarded as the basic period when fixing the maximum prices of a long list of groceries. The list includes canned meats, mincemeat, cooking oil, canned pork and beans, soap, and canned soup.

Order 123, April 7, 1942, states that wherever, by reason of the payment of a subsidy by the Commodity Prices Stabilization Corporation the cost of goods to an importer, manufacturer, wholesaler or retailer is reduced below the cost on which he based his maximum selling price of such goods during the basic period (September 15 - October 11), the maximum selling price of such person for such goods shall be reduced proportionately.

Order 120, April 7, 1942, after giving certain rules re retail delivery of goods, states (clause 4) that no manufacturer or wholesaler may sell any goods to any consumer unless he had an established retail outlet prior to April 7. Possession of a license under Order 78, December 23, 1941, is taken as evidence that such retail outlet existed.

8. Regulations Affecting the Volume of Operating Profits

(a) The first controls under this heading appeared with the introduction of the Special War Budget on September 12, 1939. The most important one was the Excess Profits Tax Act which provided for a tax on excess profits, to be calculated on either of two bases at the option of the taxpayer. One option embodied a graduated tax on profits when calculated as a percentage of capital employed in the undertaking, while the other option embodied a tax of 50 per cent on the increase in profits over the average profits for the four years 1936-39 inclusive

or the four fiscal periods of the taxpayer ending therein. In either case the Act provided for deducting the ordinary income tax paid as an expense before calculating the excess profits tax.

Under the Income War Tax Act the ordinary rate of tax on corporations was increased from 15 to 18 per cent, while the rate on companies making a consolidated return was increased from 17 to 20 per cent. A war surtax equal to 20 per cent of the tax payable by individuals under existing income tax rates was also levied.

The Second War Budget, introduced June 24, 1940 made extensive revisions re the excess profits tax. Under the amendments excess profits were to be taxed at 75 per cent and a minimum tax of 12 per cent of total profits was provided for. A Board of Referees was empowered to make adjustments in special cases.

Income Taxes were increased by lowering personal exemptions from $200 and $1000 to $1500 and $750 for married and single people, respectively. All income tax rates were raised with particularly heavy increases in the middle and lower brackets. Along with the regular income tax there was levied a flat-rate tax of 2 per cent on total income where income exceeded $600 and $1200 in the case of single and married people respectively. Single people with incomes over $1200 paid 3 per cent.

In the Budget presented at the beginning of May, 1941, income tax rates were very substantially raised in the case of all those with incomes of $5000 or less. The National Defense Tax rates were also raised.

In regard to corporation taxes one important change was made. Previous to the Budget companies paid the higher of 12 per cent of taxable income or 75 per cent of the excess over the 'standard' profit. The 1941 budget, however, raised the minimum rate from 12 to 22 per cent. Though this minimum is a provision of the Excess Profits Tax Act, it is, strictly speaking, not an excess profits Tax at all since it applies to practically all business profits. When the excess profits tax minimum of 22 per cent is added to the regular corporation income tax of 18 per cent for non-consolidated returns and 20 per cent for those made on a consolidated basis, the effective minimum rate of corporation income tax is 40 or 42 per cent depending on the basis on which tax returns are made. In other words, while the regular corporation income tax is still 18 or 20 per cent (depending on the basis of returns), a company must pay at least 40 per cent of its net income to the government whether it makes excess profits or not.

No change was made in the maximum excess profits tax rate of 75 per cent of the amount by which taxable income exceeds the average for the base period. However, some important modifications in the rules for calculating the excess profits tax were made a few weeks before the introduction of the budget. These changes stated that where a taxpayer finds that earnings of one of the four years from 1936 - 39 inclusive is less than 50 per cent of the average of the other standard years, he can choose his three best years in this period and average taxable income on this basis. Previously no allowance was made for one bad year. Even if an actual loss were experienced in one year, the remaining total still had to be divided by four to arrive at the standard profit. Since the change the profits of the three best years can be taken and averaged over this three year period to arrive at standard profits.

A further change designed to make the tax more equitable was made. The original 'standard period' was defined as the years covered by company reports appearing in the years 1936, 37, 38, and 39 in all cases where the company's year did not coincide with calendar years. This meant that a company with its year ending early in January would actually be basing its standard profit on far more of 1935 than of 1939. Under the changed provisions the definition of 'standard period' was amended to require that taxpayers whose fiscal years do not coincide with the calendar year shall apportion to the four calendar years 1936, 37, 38 and 39 the profits of their corresponding fiscal periods. The apportionment was to be made on an equal daily basis.

(b) Regulations made for quite a different purpose but which may well have operated so as to affect operating profits were those made in May, June and July 1941 and relating to the amount of pork and pork products that could be distributed in the domestic market. (See 1 (c) above.)

11. ORGANIZATION AND CHARACTERISTICS OF THE PACKING INDUSTRY

1. Some Measures of the Industry's Importance.

When attempring to measure the importance of an industry there are three general criteria which may be applied. One plan is to note the actual or absolute scale of operations. A second method is to compare the scale of activity in the industry in question with that of other industries and thus establish its relative importance. In the third place one may examine the extent to which the industry is integrated with the general economic life and structure of the country in which it operates. When examined on any one or all of these bases the pronounced importance of Canada's packing industry becomes obvious.

The most recent (1941) edition of The Canada Year Book shows that the slaughtering and meat packing industry ranks third among the forty leading Canadian industries from the standpoint of gross value of products. On this basis it is surpassed only by the non-ferrous metal smelting and refining and the pulp and paper industries. The same source shows that the packing industry is far above all by the metal smelting and refining industry so far as the cost of materials used is concerned. While some fifteen industries employ more labour there are not more than half a dozen which surpass it appreciably on the basis of capital employed. The last annual census of the industry showed a capital investment of over fifty-six million dollars, an employee population of 12,503, a cost for the materials used of $143,481,692 and a gross value of product totalling $175,767,382. In the light of such figures and facts it is difficult to consider the industry as other than extremely important both relatively and absolutely.

While clearly important as a source of employment and an outlet for investor's funds, there can be little doubt that the packing industry's chief claim to significance lies in the fact that it acts as a strategic intermediary between several hundred thousand livestock producers and several million consumers of livestock products. In present-day language one may say that the industry has come to occupy the position of a bottleneck connecting these two classes which together make up most of our population. In the first place the packing industry provides the immediate market outlet for the major part of the livestock which enters commercial channels. Its processing work proper consists in making the best possible use of the raw material thus secured. It involves constant research concerning uses for products and methods employed in providing them. The general result is the transformation of the livestock into a long list of products some of which are consumed as human food while others are put to a great variety of industrial uses. In addition to performing the processing function the industry undertakes a large part of the physical distribution of the processed goods. Its normal practice is to complete the wholesale distribution and, in the case of certain products, the retail handling as well.

On the efficiency with which the varied activities are carried out depends, in considerable degree, the size of the farmer's market and the price which primary producers receive and final consumers pay. In addition to the large number of industries and individuals whose fortunes are indirectly affected by the operations of the packing industry one might add the importance which attaches to any industry which is responsible for supplying basic requirements of everyday life. In this case the nature of the main products handled not only makes the industry essential but guarantees its permanent character.

2. Type and Degree of Organization

Various forms of business organizations are represented in the packing industry. Generally speaking the form varies with the scale of operations and the precise nature of the business carried on. In 1941 the Dominion Bureau of Statistics reported 145 slaughtering and meat packing establishments in operation. The latest census of the industry indicates that these establishments are in the hands of about 120 different operators. Of this number all but a few (possibly eight or nine) are definitely in the small scale class even though they exhibit considerable variation in output. Being small scale many of them are organized on the individual or partnership basis. Quite a few, however, are small companies with a very limited number of shareholders. The remaining concerns fall into two general classes from the standpoint of operating scale. A small number occupy a sort of intermediate position between the large number of small operators and the so-called 'big three.' While these firms, which may properly be thought of as

medium-sized, are organized on a corporate basis, their ownership tends to be rather closely held. In one or two cases, at least, they are really family-owned companies.

The three largest operators in the industry are definitely in the large scale class. In recent years the sales of Canada Packers Limited, the largest occupant of the field, have been around 60 per cent of the industry's total while Canada Packers and The Swift Canadian Company together have accounted for about 85 per cent of the total. It is mainly because so much of the business is done by these two companies that there is justification for describing the industry as one principally of large-scale production. Swift Canadian Company is a Canadian subsidiary of the parent company operating in the United States while Canada Packers, Limited, is a holding company which has consolidated the operations of a number of member companies under one management.

The above account shows the general trend so far as forms of business organization are concerned. Perhaps the most significant fact is the relative dominance of the corporate form and the comparative absence of the co-operative form. At the present time only two firms are organized on the co-operative basis. One is the First Co-operative Packers of Ontario, Limited, operating at Barrie and the other is the Co-operative Féderée de Quebec operating in Montreal.

While in most cases there is only one packing establishment per firm the industry contains some notable examples of the chain principle. Burns and Company, Swift Canadian and Canada Packers all operate several plants at different points. Burns plants are located at Vancouver, Calgary, Edmonton, Regina, Prince Albert, Winnipeg, and Kitchener (since the control of Dumarts was acquired during 1940-41). Swift Canadian plants are located at New Westminster, Edmonton, Moose Jaw, Winnipeg, Toronto and Moncton. Canada Packers operate at Vancouver, Edmonton, Moose Jaw, St. Boniface, Toronto, Peterborough, Hull and Montreal. In addition to these processing plants numerous establishments for the wholesale distribution of products are located in the more populous centres across the country. Canada Packers e.g. maintains wholesale selling branches at about thirty points in Canada and Newfoundland.

In the case of the largest firms operations are organized on a departmental basis. The tendency is to have separate departments for each of the more important types of product handled. In this connection it is important to note that certain of the enterprises are the result of using animal by-products as basic raw materials for the manufacture of other commodities and that other activities are carried on which are a part of the packing business only in the sense that they are undertaken by packing companies. Hence we find that, in addition to divisions such as the beef and pork departments which are integral parts of meat packing proper, there are soap departments, shortening departments, feed departments, fertilizer departments, provision departments, canning departments, etc. Some of these, such as the fertilizer and canning divisions, involve ownership and operation of special plants located in various sections of the country. Further activities include the operation of a limited number of creameries, a cold storage business and, in the case of Canada Packers, the operation of a wool-pulling plant at Toronto.

In connection with the structural set-up of the industry there are two or three remaining points which seem rather important. One matter concerns the geographical distribution of the packing establishments. Here several facts may be noted. The first is that there are at least some such establishments in every province. The second is that, if one excepts the Swift Company which operates in New Brunswick, there is no operator of any size with a packing plant in the Maritimes. Another is that almost two out of every three establishments are located in the central provinces of Ontario and Quebec. A large proportion of these operate on a fairly small scale. Again there are far fewer plants in relation to the number of livestock processed in western than in eastern Canada. While there are small as well as large plants in the west there are far fewer small ones in proportion to the livestock population than is the case in Eastern Canada. This is another way of saying that a larger proportion of the total livestock must go to the larger plants in Western than in Eastern Canada.

Another matter of significance is the relationship which exists between the size of plant and the kinds of livestock processed. There seems to be a common

belief that all plants are able to handle all kinds of livestock equally well and that, so far as technical operations are concerned, no preference for this or that kind of livestock exists. As a matter of fact, however, a great many of the smaller plants are designed for the processing of hogs only and either do not handle other kinds of stock at all or do so only to a limited extent and under special circumstances. Of the several reasons for this which may exist there are two which seem to stand out. In the first place variation in the types of livestock handled means variation in the size of plant and kinds of processing equipment. Furthermore some of the equipment items required in the processing of animals other than hogs are among the most expensive in the whole packing business. The cooling rooms for beef and mutton, for example, indicate the large amount of fixed investment that is involved. Where the amount of investment funds is limited, as is ordinarily the case in the formation of all but the larger companies, it is only natural that the nature of the business should be restricted. The second reason has to do with the ability to use by-products. It is generally recognized that a packer's receipts for livestock products are made up partly of the returns for the meat and partly of the returns for the by-products both edible and inedible. It is perhaps less well known that, of the total receipts, the amount resulting from the sale of the by-products varies greatly depending on the kind of animal that is processed. It has been stated (1) that over a period of years, the average return meat packers receive from the by-products approximates the following percentage of the total received for meat and by-products: hogs 3.5 per cent, cattle 15 per cent, and lambs 20 per cent. The most valuable inedible by-products are the hides of cattle and the pelts of lambs. Since receipts from the by-products of cattle and lambs are so important it is obvious that no packer can undertake extensive processing of these animals unless he is in a position to handle the by-products efficiently. However, real efficiency in the use of by-products has been achieved only where operations were on a large scale basis. It follows therefore that in meat packing, which is a narrow-margin business, the smaller operators must steer away from the slaughtering of those kinds of livestock from which a large return in the by-products is received.

Before leaving the subject of organization mention may be made of The Industrial and Development Council of Canadian Meat Packers. The Council was organized in 1919 and has operated continuously since that time. While its constitution states that any packer operating a Government inspected plant under the provisions of the Meat and Canned Foods Act of the Dominion or under provincial Government inspection may become a regular member, present membership is made up of some eleven firms. The list includes all of the large and several of what are ordinarily spoken of as the medium-sized operators. Collectively the members process about eighty-five per cent of the Dominion Government inspected livestock products produced in the country.

The Council is governed by a President, two vice-presidents and an Executive consisting of every member. All members have the same standing and voting power and no important decisions are made unless there is unanimous agreement. A full time secretary who is also the chief executive officer is employed and the secretarial headquarters are located in Toronto. There is also a permanent representative located in Winnipeg. Regarding objectives the general idea seems to have been that the interests of the packing industry could best be served by paying special attention to the way in which the livestock industry developed. The constitution sets forth seven general objectives as follows:

(a) To provide means of meeting breeders and producers of livestock for the purpose of discussing and taking action on all matters of mutual interest to livestock producers and meat packers.

(b) To co-operate with livestock Breeders' Associations, Farmers' Organizations, Railways, Banks and Financial Institutions, Federal and Provincial Departments of Agriculture and all other bodies interested in the development of agriculture.

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(1) Article entitled "How By-products Affect Livestock Prices" by F.M. Simpson, Agricultural Research Director, Swift and Company, Chicago, in the 1940 proceedings of The American Institute of Co-operation. Published by the Institute, Washington, D.C.

(c) To aid in the improvement of the quality and breeding of livestock on the farms of Canada.

(d) To promote the development of domestic and foreign markets for all livestock and meat products.

(e) To encourage the study of the arts and sciences connected with the production of livestock, the packing of meat, and its preparation as food.

(f) To make available to the consumer a knowledge of the meat packing industry and its economic value and vital place in the transformation of livestock into food at the lowest possible cost.

(g) To place at the disposal of the Federal and Provincial Governments information which may be of service in solving problems that arise in connection with the livestock and packing industries.[1]

3. Special Characteristics of the Industry

Perhaps the most important characteristic of the packing industry is its pronounced dependence on the livestock which constitutes the main raw material. Large supplies of livestock are necessary in order to permit the specialization of function and general technical efficiency, that accompanies large scale operation. Real efficiency in plant operations, in the handling of by-products, and in selling all depend on having a large number of animals to process. Moreover, since the profit per unit handled is usually small, a sufficient aggregate profit cannot be obtained unless a large volume of business is secured. This is particularly true in the case of the bigger firms where fixed investment is large and where it takes a greater variety of forms.

While the dependance on large livestock supplies is great it is also important that these supplies be delivered evenly throughout the year and also from year to year. Irregular delivery necessitates expensive storing of products, increases the amount of speculation in the business, and prevents the most efficient use of men and equipment. Labour and equipment that is required at peak supply periods must remain partly unused at times of low marketings. In addition to receiving them regularly it is highly desirable, from the standpoint of the packing industry, that the livestock be of a particular kind or quality. This is partly due to the fact that certain classes of animals yield more pounds of product when processed than others and partly because animals which comply with certain quality specifications yield products which are in greater demand and bring higher prices than others. The consequence is that such animals pave the way to market expansion and higher prices for animal products. These higher prices, in turn, result in higher prices for livestock, larger production of livestock, and hence a larger volume of livestock for the packers to process.

In actual practice the number and kind of livestock marketed varies markedly from season to season and year to year. The seasonal variation results mainly from the fact that livestock producers have followed production practices that seemed to dovetail with general farm operations and were adjusted so as to escape the rigidities of the Canadian climate. The year to year variations, on the other hand, have resulted from pronounced changes in livestock prices particularly as related to feed prices and the prices of other farm products.

While subject to the supply variations just noted one of the outstanding characteristics of the packing industry is that it is not an industry that is particularly susceptible to the loss of business during periods of general business depression. There are two chief reasons for this. One is the fact that the main products handled are among those the consumption of which is continued in fairly large amounts even during depressions. The other reason is that, up to the present, farmers have tended to maintain and even expand production of livestock and products generally despite the low depression prices. Whatever the reasons the fact remains that the packing industry has been able to count on fairly large scale operations even during depressions. In an industry which depends so much on volume this is very important.

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(1) A fuller description of the Council and its activities may be found in the October 1938 monthly letter. Publication of the monthly letter is a regular undertaking of the Council.

If the industry's supply of raw materials has been subject to instability the same may be said regarding the demand for its products. This is particularly true in respect of the exporting demand. That demand has shown variations in respect of location, extent, the kind and quality of the products wanted, and the degree of regularity with which they were wanted. In general export markets have been characterized by increasingly keen competition in which the quality and service appeals rival that on a price basis. At the same time a further characteristic of the industry is the large extent to which it must depend on foreign markets. This is specially true of pork products and many of the by-products. With industrial operations on anything like the present scale this dependence is obvious. Ability to meet foreign competition and secure foreign markets is therefore one of the prime requisites.

In view of the supply and demand variations already cited it is perhaps not surprising that the packing industry is characterized by considerable instability in the prices paid for livestock and received for processed products. Livestock prices vary from plant to plant, day to day, season to season and year to year. These price fluctuations have probably given rise to more dissatisfaction and adverse criticism than any other factor associated with the industry.

One of the most satisfying features concerning the packing industry is the relative absence of serious unemployment. The fact that a considerable amount of livestock is marketed during every week of the year assures year-round employment even though it is sometimes on a short-day or short-week basis. There is generally a period of a few weeks during mid-winter when marketings are particularly low and when it has been more or less customary to lay some workers off. At least some firms, however, have managed to save up special jobs at which men who would otherwise be idle may work even in this slack season. It would appear, however, that greater regularity in livestock marketings would make for more continuity of employment, less shifting from job to job, and more efficient use of the labour force or at least the more skilled sections of it. It might even result in a net reduction of the total number of workers employed. It might also be mentioned that the industry has been able to process greatly increased numbers of livestock during the past two or three years without making any really appreciable additions to the labour force. The larger number of people taken on because of the somewhat abnormal labour turnover is quite another matter. What has been said regarding the degree of regularity of employment applies where the work is directly related to the processing of livestock. In certain activities carried on by one or two of the largest firms, such as canning or the operation of creameries, employment is definitely more seasonal or even temporary in nature.

An important thing about the packing industry is that it lends itself exceedingly well to the adoption of the specialization principle. This fact has led to elaborate subdivision of functions and the development of many workmen who, because of repetitive practice, have become intensely skilled. There are probably few industries where workers become more skilled and where the efficiency gains resulting are as marked. Since it takes a very considerable time to acquire such skill those who already possess it tend to be regarded and to regard themselves as key men. Not all jobs require equal skill, however, and quite a percentage of the employees may properly be classed as unskilled.

One of the really significant features of the industry is the great variation in the size of the firms which operate in it. This variation has been described already and we mention it here only because it seems a special characteristic. The interesting thing is that the many small and medium-sized firms are able to continue in business in spite of the fact that they all seem willing to agree that the really large scale firms have attained vastly greater efficiency. There are no doubt many factors which contribute to this result. Among them may be mentioned the fact that most of the small firms have their plants in the smaller centers where wage rates and property taxes are lower; that a small firm can usually depend upon being supported by a good many of the farmers and retailers in its own locality partly because it is able to provide extra time and place economies and partly because of the general tendency to support a local industry; that many small firms are not in a position where they are expected to pay satisfactory dividends to large numbers of stockholders and are consequently able to keep on going for a considerable time, if necessary, even though there is no surplus after salaries, depreciation, and reserve have been provided for; that since the smaller firms tend to limit the scope of their activities, they are able to give undivided attention to the management of them; and that the large

firms, by constantly expanding into new areas and new types of activities, are in reality so spreading their competitive strength that only part of it is applied against the smaller packing firms. Another point worth noting is the ability and tendency of the smaller firms to make fairly full and prompt use of technical methods and processes developed at considerable expense by their larger competitors. As stated already, one object of the Industrial and Development Council is to foster the spread of uniform methods and production of standardized products throughout the industry. It may also be true that so long as the packing industry is in the expanding stage, i.e. so long as it is possible to increase Canada's livestock population and find a satisfactory market for the extra livestock products, the large packing firms may be able to satisfy their desire for increased volume of business without having to compete too severely for the business of the smaller concerns.

In speaking of the variation in the size of firms it seems necessary to mention the dominating role played by the two largest firms in the Canadian industry and particularly by Canada Packers the largest one. In no other country does any single firm handle anything like as great a percentage of the total business as Canada Packers does in Canada. Moreover this Company has achieved this outstanding rank within a remarkably short space of years and largely because of unusually able management. In addition to its remarkable growth and financial success the company has pioneered the way in respect of many advances in the industry. In the minds of the other occupants of the field it occupies the position of undisputed leadership.

In respect of the two largest firms in particular it may be said that they appear to have some competitive advantages not possessed by the other and smaller operators. The fact that they operate in so many lines and handle so many products permits spreading of the business risks. Their large scale operations permit economical financing, full use of the specialization principle, and efficient use of by-products. Their nation-wide operations permit national advertising, intimate knowledge of supply and demand conditions and ability to operate a national system of distribution. Again large scale operations permit the selling economies that go with the filling of quantity orders while the fact that so many products can be handled by the same salesman tends to result in low per unit selling costs.

Two or three remaining points may be mentioned. The first is that the packing industry, as an industry, does not seem to have been characterized by high profits even though most firms in some years and the leading firms in almost all years have made a good profit. The total profits made are usually a mixture of operating profits and speculative profits. The amount of operating profits tends to run parallel to the volume of business as would be expected. Speculative profits tend to be considerable in periods when prices generally are rising and non-existent when such prices are on the down grade. A second point is that the industry appears to be subject to extremely rapid depreciation of fixed equipment. At any rate the amounts set aside for depreciation in the annual statements of the leading firms suggest a far more rapid rate of depreciation than actually occurs in most businesses. Finally the packing industry is one in which a very considerable amount of unused capacity existed between 1918 and the outbreak of the present war. In part this excess capacity was the result of building plants during the last war which were not needed after peace came. In part also it was due to the fact that some firms, the large ones mainly, had, during the 1930's, created additional capacity. Some new plants were set up as a part of the trend toward decentralization or in anticipation of livestock production and urban expansion in the newer areas. In any case they were in the developmental stage and consequently were not being fully used. It is to be noted, however, that much of the unused capacity was located in central Canada whereas the main expansion in livestock production since 1939 has taken place in the Western provinces. While the extra capacity is very useful at the present time its location is not all that might be desired.

III THE NATURE OF THE CONTROLS

1. Regulations Affecting Volume of Output

Since the output of the packing industry varies directly with the number and kind of livestock sent to market it follows that regulations affecting output have been those designed to expand or contract the demand for livestock products and encourage or discourage the production of livestock. As will be seen, most of these regulations have aimed at expansion rather than contraction.

By far the most important type of regulation has been that represented by the three annual bacon contracts arranged between the British Ministry of Food and the Canadian Government. The general object of these contracts has been to insure that regular and sufficient supplies would be available for export as required and that Canadian farmers would be paid prices sufficient to encourage production of these supplies. Before the war prices of pork exports were highly flexible and subject to frequent changes. Moreover each exporting packer was legally free to decide when and how much to export. In deciding whether, when, and how much to export the existing or probable relationship between domestic and export prices was the main determining factor. Under these circumstances the volume of exports tended to fluctuate widely and domestic and export prices tended to coincide. In addition, by the terms of the Ottawa Agreements of August 1932, Canada was prevented from exporting to Britain more than 280 million pounds in any one year.

In each of the three annual contracts beginning in the autumn of 1939 the total amount and kind of product to be exported has been stipulated. So also was the degree of regularity of shipment. Moreover the agreements have called for payment at a fixed price. The total annual exports called for by these agreement were as follows: in 1939-40, 290 million pounds; in 1940-41, 425 million pounds and, in 1941-42, 600 million pounds. By providing for these greatly increased exports these agreements paved the way for a pronounced expansion in hog production and the output of packing plants. To such expansion was added the further one resulting from the War contracts secured by the packers from the Department of Munitions and Supply.

While the above contracts permitted output expansion by increasing greatly the amount which could be exported, the fixed prices agreed upon were intended to insure that the promised exports would actually materialize. These fixed prices together with the guaranteed export outlets may be considered as regulations which were intended to influence the volume of output directly. Further price regulations calculated to influence output were the subsidy payments made by the Dominion Government through the Bacon Board in the spring and summer of 1941 and also the hog subsidy paid by the Ontario government on Ontario-produced hogs since the spring of 1941.

A type of control deliberately intended to affect output is represented by certain Bacon Board Regulations passed during and since December 1941. Their general purpose was to insure that each hog marketed made its fullest possible contribution to the total amount of pork products required. Since it was not possible to increase the number of hogs that could be sent to market during the balance of the contract year it was felt that total volume might be stepped up by increasing the volume per hog. Regulation 56, passed December 4, 1941, required that exporting packers should not slaughter hogs weighing less than 130 pounds carcass weight. At the beginning of March 1942 the requirement was extended to cover all those licensed by the Board to slaughter hogs for domestic distribution. Still more recently the Board has revised the price schedule for export. Wiltshires, whereby weights from 65-75 pounds will be bought at the price formerly paid for 65-70 pound sides, and 75-80 pound sides will be bought at the same price previously paid for 70-80 pound sides. This is being done to further encourage the shipping of heavier sides and the marketing of heavier hogs the understanding being that packers will discontinue discounts on B3 carcasses.

In addition to the above-mentioned regulations which have a direct relation to output, there are a number which were or are destined to influence output indirectly. One such was the Order, or rather series of Orders, which restricted imports of fresh pork from the United States after February 23, 1940. The large

quantities imported during the winter of 1939-40 resulted in an accumulation of Canadian storage stocks beyond anticipated domestic and export requirements. Inasmuch as the Order was intended to relieve this pressure by reducing imports it was bound to have the effect of reducing total volume of packer business.

During the spring and summer of 1941 the Bacon Board took a series of steps designed to reduce pork consumption in Canada and therby leave a larger amount available for export. These regulations limiting domestic consumption have continued in effect to the present. There are two ways in which these regulations may have affected the output of the packing industry. In the first place, even though the total output of the industry may not have been altered, the distribution of the total between the various firms and plants may have changed considerably. Since the regulations were made applicable to all firms one would expect that they would act so as to reduce the output of the purely domestic firms and add to the output of the exporting firms by an equal amount. In the second place, since the regulations did not apply to retail meat dealers operating only one retail store or farmers slaughtering their own hogs, they might be expected to increase somewhat the volume of business done by these two groups at the expense of the packing industry proper. The extent to which this might happen would obviously be related to any advance in the domestic retail price of pork following the regulated reduction in domestic supplies.

During the winter of 1940-41 the Dominion and Ontario Governments shared the cost of transporting several million bushels of feed grain from the head of the lakes to points in Ontario where such feed was needed. In the 1941-42 season the Federal Government financed the transportation of feed grain and other livestock feeds from Fort William or Port Arthur to points in any eastern province and also from the prairies to British Columbia. By thus providing farmers with feed which they could not afford to obtain otherwise, the governments made possible the marketing of livestock at heavier weights. This, in turn, contributed to the volume of packer output.

In a similar way the various regulations of the Agricultural Supplies Board and the Wartime Prices and Trade Board which either prohibited export of livestock feeds or otherwise prevented their prices from rising were calculated to permit the maintenance and marketing of more livestock in Canada and hence expand the output of packing plants.

Again the type of regulation represented by the 1941 Wheat Acreage Reduction plan gave direct encouragement to the production of feed grains and livestock feeds in general in Western Canada. It thus paved the way to a pronounced expansion in livestock production in the prairie provinces and, more indirectly, to some expansion in other parts of the country.

Finally there is the Price Ceiling policy inaugurated in the late Autumn of 1941. There is the possibility of this affecting packer output in two ways. Should packers generally be unable to pay prices for cattle equal to those ruling in the United States and still sell beef in line with ceiling prices, livestock processing which would otherwise be done in Canada might be shifted to the United States. In the second case, even though all beef cattle be processed in Canada, the fact that all Canadian packers were not selling beef at the same price during the base period might tend to shift cattle to firms whose margin during the base period was widest. Firms with wider margins could offer more for cattle and thus increase their volume of output at the expense of the other firms.

2. Regulations Relating to Plant Construction, Installation of New Equipment, Etc.

No special regulations under this head were invoked until the spring of 1941. On May 16, 1941 a special order in council (P.C.3481) was passed providing for the control of such new construction, expansion of existing facilities, and replacement of equipment, as were not essential for the successful prosecution of the war. In other words its central aim was to control in such a way that the available supplies of materials, equipment and labour would be reserved for necessary wartime undertakings. Under the order equipment expense was limited to $5000 per plant, new building costs were not to exceed $10,000, and the amount spent on repairing buildings was not to exceed $2,500 in each such project. The priorities officer was given power to vary the amount of these expenditures where conditions specially warranted. Further restrictions on building and equipment installation were made by Order 660 passed January 30, 1942. This order was substituted for all these previously passed. The above control measures were applied to industries in general and not to the packing industry in particular.

3. Regulations Affecting Diversity of Products or Adaptation of Technique for New Products.

Since the packing industry is one which normally turns out a great variety of products, the opportunity or need for still greater diversification during the war was not very great. Indeed one might be more inclined to expect reduction than expansion in the number of products. However one or two wartime changes are worth noting.

It seems probable that the 1941 regulations designed to limit the amount of pork products distributed in the domestic market were indirectly responsible for certain changes in the kinds of products handled. By reducing the amount of the pork products ordinarily sold the regulations afforded a special opportunity for the provision of substitute meats. As supplies of pork for the domestic market became more scarce the natural tendency was to increase the emphasis placed upon the preparation and sale of the substitute products. In addition edible hog products not suitable for export came to be featured in the domestic market. Moreover curtailment of domestic pork sales acted as a special inducement to the handling of more beef, veal, mutton, lamb, etc. There was a special reason why packers who normally concentrated on hog products should diversify.

In order to conserve foreign exchange all importers of vegetable oils were restricted to 104 per cent of their average 1938-40 imports since July 1, 1941. This was a restriction under the War Exchange Conservation Act. When the restriction was made the shortening manufacturers were asked to replace the pure vegetable shortening by a blended product. As two or three of the larger packing firms have imported large amounts of vegetable oils to be used in the manufacture of shortening and soap, this restriction was of considerable significance to the packing industry.

4. Regulations Affecting the Standardization or Reduction in Variety of Products.

In order to bring about the tremendous expansion called for by the bacon contracts and at the same time maintain the pre-war export quality standards it has been necessary to encourage by every means possible the following of industrial practices which make for quality improvement. This has been all the more necessary inasmuch as the aim of both the government and the industry has been not merely to maintain quality but to definitely improve it. In addition to specifying the requirements for each grade of product exported the Bacon contracts have stipulated that as high a percentage of total exports as possible be of top grade quality. The desire on both sides of the water has been to secure not only a uniform product but a uniformly high quality of export pork product. In line with this desire the Bacon Board has laid down a large number of rules designed to develop standardized processing and marketing practices and obtain the best possible results in the way of quality and uniformity of product.

The regulations have related to such matters as the methods of storing, weighing, shipping, cooling and otherwise preserving, grading, winter season handling, the weight of hogs to be slaughtered, inspection at seaboard, etc.

Order No. 3124 of October 21, 1939 limited the registration of fertilizers and the issuing of prescriptions for the manufacture and sale of fertilizers to the analysis recommended by the Advisory Fertilizer Board of each province. The object of this was to reduce the number of mixtures and thereby conserve needed fertilizer ingredients and thus make the most effective use of the limited supplies.

5. Regulations Affecting Raw Materials and Supplies, their Availability and Price.

Since livestock constitutes by far the most important raw material used by the packing industry the controls relating to its supply and price are very important. The list includes the three annual bacon agreements which paved the way for greatly expanded production, the Federal and Ontario government subsidy payments, the free-freight policy on livestock feeds from Western to Eastern Canada, the government program designed to bring about a large scale shift from wheat growing to the production of coarse grains and other livestock feed in Western Canada, the various regulations of the Agricultural Supplies Board designed to insure ample supplies of seed, fertilizer, etc., for the production of livestock feed, and the combined action of the Agricultural Supplies Board and

the Wartime Prices and Trade Board in maintaining supplies and preventing the rise in price of livestock feeds. Another type of control which may have exercised some indirect influence over the number of hogs produced and marketed and the price paid for them was the Bacon Board regulation requiring export packers to submit weekly statements showing the dressed cost of B1 and bacon grade hogs. With this might be linked the unexercised authority of the Bacon Board to set the minimum prices which packers must pay for hogs. A more direct type of control from the standpoint of importing packers was that which limited the amount of pork that could be imported from the United States after February 23, 1940. There are, however, two other regulatory measures which are probably much more important as far as their effect on raw material supplies of individual firms is concerned. One of these is the method whereby the export bacon business has been allocated between firms on a quota basis. The other is the series of regulations instituted during the spring and summer of 1941 whereby the number of hogs that could be slaughtered for domestic consumption was reduced. This latter measure has been of particular significance to purely domestic packers.

Although only in force since the late autumn of 1941, the general price ceiling anti-inflation policy may well affect both the supply and price of livestock if indeed it has not already done so. It may for example quite directly influence the distribution of Canadian beef cattle between the Canadian and United States packers and also the distribution between the several packers within Canada. More indirectly, by establishing a more satisfactory relationship between farmers' selling and buying prices, it may influence the number of livestock produced and sold to packers.

Of the controls affecting raw materials and supplies other than livestock, some have tended to reduce supply and raise price while others have aimed at preventing shortages and price increases. In addition to the general price ceiling regulations, control measures have included export restriction on cod liver and other oils, the allocation orders in respect of fertilizer ingredients, tin and other containers, the 1942 restrictions on the use of sugar, the earlier Wartime Prices Board regulations concerning coal and sugar, the import prohibition except under permit of cork or cork products and steel plates, bars, etc., restrictions on vegetable oil imports, the Bacon Board regulation requiring the use of borax and equipment for applying it, the foreign exchange control regulations, the 10 per cent war-exchange tax introducted in the June 1940 budget, the gasoline tax increases, and gasoline and rubber rationing. It is obvious that some of these are of much greater import than others.

6. Regulations Affecting Selling Prices.

While the specific control measures affecting selling prices are many and varied, they can be conveniently grouped into two main classes according as their influence on price is direct or indirect. The direct controls, as the name suggests, are those which are deliberately intended to influence prices. The remaining regulations may be classified as indirect because their immediate effects were on costs, supplies and demands and because it is only through these effects that their influence on selling prices has been exerted.

One of the most important direct controls is that exercised by the Bacon Board when purchasing export pork products from the packers. This is represented by the fixed price schedules drawn up by the Board and in accordance with which purchases are made. For the most part the prices so arranged simply reflect or closely parallel the fixed prices agreed upon by the British and Canadian government representatives when making the annual Bacon Agreements. To some extent, however, their levels have been raised by Dominion government bacon subsidies.

Next may be listed the general supervisory type of control over selling prices which has been exercised by the Wartime Prices and Trade Board. Its duties were to provide safeguards under war conditions against any undue enhancement in the prices of food and other necessaries of life. This naturally included many products sold by the packers. During the first two years of the war the Board's chief method of preventing price increases was to try and maintain sufficiency and regularity of supplies. However a constant check on actual prices charged was maintained, and where advances appeared to be abnormal, prompt action was taken to bring about reductions. Since about the middle of 1941 this type of activity has been accompanied increasingly by more positive or direct control in

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the form of specific price orders. This will be referred to later.

When, in 1940, a 10 per cent War Exchange tax on imports was imposed mainly for the purpose of conserving foreign exchange, the possibility of unjustified increases in selling prices due to the additions of the tax at several selling stages became obvious. The Wartime Prices and Trade Board was given power to prevent any person from taking advantage of the War Exchange Conservation Act in this way by an Order (P.C. 7373) passed on December 13, 1940.

Among the many articles removed from the list of those exempt from the sales tax by the Special War Budget of September 1939, were salted and smoked meats. This change meant a direct increase, to the extent of the tax, in the selling price of these products.

Of greatest significance, however, because of its positive and all-embracing nature, is the application of the maximum selling price law or price ceiling policy as it is better known. The various orders fixing the maximum prices at which packing house products may be sold have been issued periodically throughout the late autumn of 1941 and the winter and spring of 1942 according as increasing scarcity of the several products makes this necessary. Publication of further such orders continues as this is being written. The general price ceiling policy was announced in October 1941 but its application was postponed until December. Its general aim is to prevent retail prices from rising above the levels ruling in a specified period known as the basic period. While this period is normally the four weeks between September 15 and October 11, 1941, prices at other periods have been accepted as basic in the case of several products including some of the more important products of the packing industry. Details of the many maximum price orders published to date and affecting the industry may be found in the final chapter which describes the controls in detail. It is important to note, however, that maximum prices were established for several products a considerable time prior to the inauguration of the general price ceiling policy. Among the products so affected were wool, hides, butter, lard, and certain livestock feeds.

The indirect price control measures are of three general types. One reduced domestic supplies and thereby affected prices in that market. The second caused increased costs and therefore made for higher selling prices. The third type, by prohibiting exports, limited demand possibilities and thus exerted a price depressing effect.

During the spring and summer of 1941 the Bacon Board took various steps to limit the amount of pork products that could be offered for sale in the domestic market in order to increase the supply available for export. With a domestic supply thus reduced unaccompanied by any change in the demand, a considerable advance in domestic prices was only to be expected.

Certain controls, by causing increased costs, indirectly contributed to higher selling prices of products. The list includes the increasing of the corporation income tax from 15 to 18 per cent, the imposing of a 10 per cent War Exchange Tax on all imports from June 1940, the fixing of foreign exchange rates above pre-war levels, the imposition of higher gasoline taxes, the passing of orders involving the payment of license taxes and fees, the requiring of wage rate increases as already mentioned, and the order whereby employers are required to contribute to the Unemployment Insurance fund.

In order to maintain in Canada supplies sufficient for civilian use and the completion of special war contracts and incidentally prevent undue increases in price, a long series of Orders-in-Council have been passed from time to time. In each case exportation without special permission has been prohibited. Administration of these export control orders has been delegated to the office of the Minister of Trade and Commerce. The list of products, the export of which has been limited and for the most part completely eliminated in this way, includes wool, rennet extract, live hogs and edible pork products except lard to any but the United Kingdom and dependencies, beef and veal, hides, cod liver and other oils, tankage, meat meal or scrap, dried blood, bone and fish meal, fertilizers, beef and calf pancreas, animal fats and greases, glands, cattle, ox and calf tail hair, gelatine, green salted calf skin trimmings and hide trimmings, tomato juice and soups. While export of some of these products such as wool, hides and cod liver oil was curtailed quite early in the war, it is significant that the majority of the orders were not passed until the winter of 1941-42. This indicates the increasing need for conserving supplies as the war period progresses.

7. Regulations Affecting Operating Profits.

The first controls affecting profits were introduced in the Special War Budget of September, 1939. Of these the most important was the Excess Profits Tax Act which provided for a tax on excess profits, to be calculated on either of two bases at the option of the taxpayer. One option embodied a graduated tax on profits when calculated as a percentage of capital employed in the undertaking, while the other embodied a tax of 50 per cent on the increase in profits over the average profits for the four years 1936-39 inclusive, or the four fiscal periods of the taxpayer ending therein. In either case the Act provided for deducting the ordinary income tax paid as an expense before calculating the excess profits tax.

Under the Income War Tax Act the ordinary rate of tax on corporations was increased from 15 to 18 per cent, while the rate on companies making a consolidated return was increased from 17 to 20 per cent. A war surtax equal to 20 per cent of the tax payable by individuals under existing income tax rates was also levied.

The Second War Budget, introduced June 24, 1940 made extensive revisions re the excess profits tax. Under the amendments excess profits were to be taxed at 75 per cent and a minimum tax of 12 per cent of total profits was provided for. A Board of Referees was empowered to make adjustments in special cases.

Income taxes were increased by lowering personal exemptions from $2000 and $1000 to $1500 and $750 for married and single people, respectively. All income tax rates were raised with particularly heavy increases in the middle and lower brackets. Along with the regular income tax there was levied a flat-rate tax of 2 per cent on total income where income exceeded $600 and $1200 in the case of single and married people respectively. Single people with incomes over $1200 paid 3 per cent.

In the Budget presented at the beginning of May, 1941, income tax rates were very substantially raised in the case of all those with incomes of $5000 or less. The National Defence Tax rates were also raised.

In regard to corporation taxes one important change was made. Previous to the Budget companies paid the higher of 12 per cent of taxable income or 75 per cent of the excess over the 'standard' profit. The 1941 budget, however, raised the minimum rate from 12 to 22 per cent. Though this minimum is a provision of the Excess Profits Tax Act, it is, stirctly speaking, not an excess profits tax at all since it applies to practically all business profits. When the excess profits tax minimum of 22 per cent is added to the regular corporation income tax of 18 per cent for non-consolidated returns and 20 per cent for those made on a consolidated basis, the effective minimum rate of corporation income tax is 40 or 42 per cent depending on the basis on which tax returns are made. In other words while the regular corporation income tax is still 18 or 20 percent (depending on the basis of returns), a company must pay at least 40 per cent of its net income to the government whether it makes excess profits or not.

No change was made in the maximum excess profits tax rate of 75 per cent of the amount by which taxable income exceeds the average for the base period. However, some important modifications in the rules for calculating the excess profits tax were made a few weeks before the introduction of the budget. These changes states that where a taxpayer finds that earnings of one of the four years from 1936-39 inclusive is less than 50 per cent of the average of the other standard years, he can choose his three best years in this period and average taxable income on this basis. Previously no allowance was made for one bad year Even if an ectual loss were experienced in one year, the remaining total still had to be divided by four to arrive at the standard profit. Since the change the profits of the three best years can be taken and averaged over this three year period to arrive at standard profits.

A further change designed to make the tax more equitable was made. The original 'standard' period was defined as the years covered by company reports appearing in the years 1936, 37, 38 and 39 in all cases where the company's year did not coincide with calendar years. This meant that a company with its year ending early in January would actually be basing its standard profit on far more o

1935 than of 1939. Under the changed provisions the definition of "standard period" was amended to require that taxpayers whose fiscal years do not coincide with the calender year shall apportion to the four calendar years 1936, 37, 38 and 39 the profits of their corresponding fiscal years. The apportionment was to be made on an equal daily basis.

Regulations made for quite a different purpose but which may well have operated so as to affect operating profits were those made in May, June and July 1941 and relating to the amount of pork and pork products that could be distributed in the domestic market.

IV. EFFECTS OF THE CONTROLS

A. PRODUCTION

1. The Volume and Character of Production.

During the 1938-39 hog marketing year (October 1 to September 30) some $3\frac{1}{4}$ million hogs were slaughtered in Canadian plants subject to government inspection. In 1939-40 the corresponding figures were $4\frac{3}{4}$ million representing an increase from the preceding year of 46.5 per cent. A further increase of 29 per cent brought the 1940-41 figure above the six million mark while that of 1941-42 is expected to approach 7 million.

This sudden and tremendous expansion has undoubtedly been due to several influences. It is true e.g. that the expansion trend was well under way at the time war broke out and that this was the result of feed prices being low in relation to hog prices and hog prices being high when compared to prices of other farm products particularly wheat. Moreover farmers were encouraged to expand hog production by the fact that a considerable part of the bacon quota provided for by the Ottawa agreements of 1932 still remained unused. It must be admitted, therefore, that a large part of the 1939-40 expansion was not due to the war or to wartime controls. A large percentage of that year's hogs were either in existence or the result of breedings prior to September 1939. On the other hand there can be no doubt that, had the British Ministry of Food not been willing to accept considerably over 300 million pounds of hog products at the price agreed upon in the first bacon agreement, the pronounced expansion in hog production during 1939-40 would have resulted in a virtual collapse of hog prices. The fact that prices were thus maintained by the first agreement plus the provision for greatly increased exports by the two later agreements undoubtedly paved the way for the further production advances that have since taken place.

While it might be argued that the expanded demand has resulted from the war rather than from the Bacon Agreements, the fact remains that, without these agreements, Canada could not have catered to Britain's needs nearly so completely and probably not at all. To begin with a necessary condition to obtaining access to the British market was the making of such agreements and the creation of an administrative agency in the form of the Bacon Board. In the second place the British government made it very plain that Canada was not the only possible source of bacon supply and that the amount that would be taken from this country would depend upon our willingness and ability to abide by terms as stipulated in an agreement. Specifically the Ministry of Food agreed to take the amounts and pay the prices stated in the agreements provided Canada lived up to certain specifications in respect to quality and regularity of shipment. Finally, by setting a quantitative goal and a fixed price a year in advance, the agreements eliminated much of the speculative element and gave livestock producers a considerable opportunity to plan production.

If the agreements permitted extra output several of the other regulations assisted greatly in supplying it. Even though it is impossible to measure their effects in terms of livestock produced, it seems probable that the Dominion and Provincial hog bonuses, the policies or regulations whereby wheat acreage was reduced and coarse grain acreage increased in Western Canada, livestock feed was transported from Western to Eastern Canada at government expense, export of livestock feeds was prohibited, and the prices of these feeds prevented from rising above certain levels must all have contributed to output expansion.

They all tended either to raise the selling price of livestock or lower the cost of producing it and thereby encouraged added output. The Bacon Board Regulation designed to encourage the marketing of heavier hogs has not been operating long enough to show its full effects. However Board officials state that the regulation is definitely taking effect and that all but a few plants had managed to get within the weight tolerance permitted within a relatively short time. Whether the measure will result in adding 15 million pounds to the amount of bacon available for export under the third Bacon Agreement, as the Board had hoped, remains to be seen.

The order restricting imports of fresh pork from the United States was definitely effective. During February 1940 (the Order was passed February 20) 14,797,672 pounds were imported. In only two months since that time, March and May 1940, have imports exceeded 2 million pounds. There are, however, two other factors which have combined with the import restriction order in producing this result.

During the first part of the first agreement period the Ministry of Food had permitted the Bacon Board to ship amounts considerably in excess of what had been agreed upon when the contract was made. In practice the only limitation on the size of shipments was the inability to secure shipping space. For several months, however, beginning February 1940, the Ministry insisted that shipments be limited to the amounts indicated in the contract. The result was an attempt to dispose of excessive bacon supplies in the domestic market. Under these circumstances importation of U.S. pork for sale on the Canadian market tended to become unprofitable. In the second place the rising trend of U.S. pork prices, particularly since the latter part of 1940, has gradually eliminated the possibility of making a profit on import operations - regardless of the import restriction order. This is shown by the fact that the amount of pork actually imported during this later period was only a small fraction of the amount permitted by the restriction order.

Thus far the only significant influence of the general Price Ceiling program on volume of output has been in the beef business. Because of the existence of price ceilings on all beef except that sold to the Department of Munitions and Supply many Canadian packers were unable to pay prices for cattle equal to those which could be obtained by exporting to the United States. The result was that cattle which otherwise would have been processed and sold in Canada went to the United States. This was particularly the case during April and the first half of May 1942. During that period the second quarterly quota under the U.S.-Canadian Trade Agreement was being filled and the duty on cattle entering the States was therefore reduced from 3 to $1\frac{1}{2}$ cents a pound. The number of cattle exported in this six weeks period was nearly three times as large as the corresponding figure in 1941. Since the higher rate of duty has been applied and a new and somewhat higher schedule of beef prices established by the Wartime Prices and Trade Board, exports have been relatively small. It should not be inferred, however, that the ceiling regulation was the only or even the main cause of the recent and presently-existing beef shortage. A further cause is the pronounced rise in the per capita consumption of beef that has been taking place during the past several months. This is revealed in the official statistics. It must also be remembered that the numbers in and therefore the demand of the armed forces in Canada has been steadily increasing.

While the Price Ceiling program contributed to a reduction in the volume of beef business done by the packing industry as a whole it has also affected the way in which the remaining business has been shared by the various firms. The cattle naturally went to the firms which were able to pay the highest prices. Generally speaking this meant those which had contracts to supply the Department of Munitions and Supply at prices not subject to the ceiling regulations, or those whose selling prices during the base period were highest.

Most of what has been said thus far refers to the way in which controls have affected the output of the industry in general. We wish now to refer particularly to the way in which the regulation limiting domestic pork consumption has affected the volume of output of individual firms. Obviously the regulation has had no effect on the total number of hogs processed and sold in <u>all</u> markets by the industry as a whole.

Since the amount of pork sold in the domestic market was reduced irrespective of whether a firm did a purely domestic business or was producing for export as well, it followed that the reduction in <u>domestic</u> business was actually a reduction in <u>total</u> business so far as the purely domestic packers were concerned. For this group there was no possibility of exporting any product in excess of that permitted to be sold for domestic consumption. Furthermore the reduction in total volume has meant higher overhead costs per unit, a smaller profit margin and, therefore, less ability to compete for hogs in future. This may well result in further volume reductions as time goes on. What makes the lot of these firms still more serious is the fact that few of them are in a position to handle much livestock other than hogs. Inasmuch as this has been impossible, they have not been able to maintain total volume by substituting cattle, veal and lamb purchases for that of hogs. It should also be stated that, since domestic allotments were based on the volume of domestic business done in 1940, firms whose domestic business in that year was particularly small have been most seriously affected by the regulation.

In the second place there appear to be at least some cases where total volume was reduced following this regulation even though the firms concerned were producing for export as well as for the domestic trade. It would seem that such reduction of volume could occur only in the case of firms which were incurring a considerable loss on the export business. Following curtailment of the domestic market, domestic pork prices rose very considerably above the fixed export prices. The price paid for hogs tended to be based on the combined price received for pork products sold in the domestic and export markets. A low profit or an actual loss on exports tended to offset the high profit on the domestic sales and to reduce the price that could be paid for live hogs. Where exports made up a large percentage of total sales and where the profit or loss margin on export business was particularly unsatisfactory, there was a special tendency for total net returns to be reduced. With purchasing power reduced fewer hogs would be bought since those that were secured would have to be purchased at the competitive market price.

In spite of a reduction in volume in the case of certain firms following the introduction of the regulation in question, we are unable to see any direct causal connection between the occurrence of that reduction and the enforcement of the regulation. The reduction in volume probably took place in spite of and not because of the regulation. Since all export packers suffered the same percentage cut in domestic business, it seems likely that any variations in total volume reflected corresponding variations in competitive efficiency. However, one firm, John Duff and Sons, Limited, of Hamilton, has maintained that its total business was substantially curtailed by this regulation. The firm states that "it was necessary to cut our hog purchases to 50 per cent for a period of several weeks during the crest of the period of high profit margins on domestic business and loss on export in order to reduce the high percentage of the export business showing a loss." Later the 50 per cent figure rose to from 65 to 75 per cent. It was also stated that the drop in hog purchases was due to the necessity of reducing export business in order that the percentage relation between export and domestic business be brought nearer to that of the average Ontario exporting packer. This firm entered the export field after most other packers and made every effort to build up export business and to some extent at the expense of the domestic trade. Exports have normally constituted about 80 per cent of the total business. In 1940, the year on which domestic quotas were based, its domestic business was the lowest in fourteen years. In order to supplement the reduced volume of pork business the firm decided to construct a beef, veal and lamb building.

In view of the experience of the above firm it is rather significant that several other concerns of comparable size reported no loss of total volume following the restriction on domestic business. Wellington Packers at Guelph e.g. which was exporting from 70 to 80 per cent of total production and which is very much smaller than the Duff plant, stated that not only had total volume been maintained but that a slightly larger percentage of the total hog processing business of Canada was being counted upon as a result of the domestic curtailment regulation. Wellington Packers process very little livestock other than hogs and had no intention of making any change in this regard. In the same way Intercontinental Pork Packers Ltd., at Saskatoon, a firm which processes hogs only and does an almost exclusively export business, expressed the view that the domestic restriction order would probably result in their securing a larger share of the total hog processing business of the country. On the other hand J.M. Schneider Limited, Kitchener, claimed in October that the order had reduced their total volume of business by about 11 per cent and the volume of hog purchases by 12 per cent. At the same time it had caused them to substitute purchases of cattle and calves for hogs, cattle purchases being up by 39 per cent and calf purchases by 10 per cent. The Schneider firm has always been noted for its particular attention to the development of the domestic market. In this instance it has aimed at maintaining total volume and domestic trade and connections as much as possible by expanding the beef and veal business. Unlike many other packers it was technically able to do this promptly. Reduced hog purchases was probably the result of a deliberate choice since the domestic beef and veal business was more profitable than the export bacon business. The final and rather important result of the domestic restriction order was that export packers, as a group, gained in volume of pork business to the extent that the volume of domestic packers, as a group, was reduced. This was inevitable

since the purpose of the order was to expand exports at the expense of domestic consumption. From what has been said above, however, it is clear that this total export volume increase was not shared by all export packers. Its division between them has apparently depended on such factors as amount of profit or loss on export business, general financial strength and competing ability, relative importance and profitability of export and domestic business, ability to expand along non-pork lines, available processing capacity, ability to use by-products etc. Regardless of the basis of division, the export packers as a class gained the volume which the domestic packers lost. This included the positive deductions from the 1940 business plus any additions to the 1940 volume which might have resulted after July 1941 had the domestic restriction order not existed. It should be noted, also, that the 1940 hog kill of domestic packers, on which domestic quotas were based, was particularly small.

In respect to the character as distinct from the volume of products, the general effect of the regulations considered in this section has been to greatly increase the relative importance of that part of the packing business which results from the processing of hogs. In the calendar year 1940 total Canada inspected hog slaughterings were 50.3 per cent greater than in 1939 whereas cattle slaughterings had increased only 2 per cent, sheep and lamb slaughterings 2.8 per cent and calf slaughterings 2.8 per cent. The comparable increases for 1941 over 1940 were, in round numbers, hogs 20 per cent, cattle 13 per cent, sheep and lambs 10 per cent and calves 2 per cent. Of the total number of livestock killed, hogs made up 60.8 per cent in 1939, 69.8 per cent in 1940 and 71.8 per cent in 1941. To illustrate the changes experienced by individual firms the Swift Canadian Company reported that when their 1941 kill was compared with that of 1939 it was found that cattle had increased 17 per cent, calves 20 per cent, lambs 6 per cent and hogs 128 per cent. These figures, when compared with those showing the total Canadian increases, indicate that the larger firms handled much more than a proportionate share of the increased volume of business.

The regulation limiting domestic pork consumption had two or three significant effects on the character of products handled. One effect was a pronounced increase in the emphasis placed on the production of substitute meats. One firm reported that it caused an increase in output of sausage room products. Another stated that it had caused an attempt to expand the egg, poultry and beef business. A third had undertaken to step up production of corn beef, cheese beef, lamb and veal. Canada Packers stated that special attention was being given to the production of cooked and canned meats. Practically all firms in a position to do so expanded their purchases of beef, veal, sheep and lambs. In each case the adjustments represented an attempt to maintain customers and operating volume.

A second effect related to the quality of pork products sold in the domestic market. Export packers generally have maintained that the order made it necessary to export practically all their better quality pork products. This, in turn, forced them to offer poorer quality products in the domestic market in competition with the higher quality products which the domestic packers were still able to supply. Since the regulation limited the number rather than the kind of hogs that they could buy and sell, it was only natural that domestic packers should make a special effort to buy as good hogs as possible and thereby put themselves in a position to make a quality appeal when selling. However, in view of the keen Canadian demand for quantity irrespective of quality, any competitive advantage based on quality that domestic packers may have had has probably been insignificant.

2. Effect on Technical Methods used in Processing.

Generally speaking the controls affecting the volume of output appear to have had little effect on technical methods or developments. About the most that can be said is that some of these controls have made it possible to use more completely certain types of specialization and mechanical methods that had become more or less standard before the war. On the one hand the increased number of livestock, particularly hogs, has provided some of the smaller firms with enough extra business to warrant adoption of methods which are feasible only where volume is sufficient. On the other hand certain firms, particularly the domestic ones, whose competitive position has been weakened by the regulations reducing domestic business, have been compelled to make any changes in operating methods that promised gains in efficiency.

The actual extent and nature of the effects is best illustrated in the statements made by individual firms. Canada Packers, Swifts, Burns and Company, J.M. Schneider Limited, and Intercontinental Pork Packers, all claimed that none of the regulations relating to volume of output have had any effect on technical developments or the methods used in processing. Whytes stated that the necessity of handling more hogs has made it necessary to increase the amount of curing tank and stock pen space and to instal meat saws and moving tables. Wilsils expressed the view that the changes in volume of business resulting from the regulations limiting domestic pork business would compel them to speed up technical improvements so as to keep down costs. Their general plan was to instal labor-saving devices. The manager of First Cooperative Packers said that the increased hog business had caused his firm to be more technical, more scientifically exact. Technical changes had included installation of filter pumping and the equipping of a laboratory. He added that the restrictions on domestic business would compel the speeding up of technical improvements so as to keep costs down. In the case of Wellington Packers increased hog business has caused a few minor changes such as the adding of a couple of curing vats. These have permitted the handling of more hogs and have reduced unit overhead costs. John Duff and Sons say that increased bacon curing has necessitated placing greater responsibility on individual cellar men for certain processes, making them key men in the department and that this has been similarly true at various spots where particular processes are involved. In their case, also, increased hog business has brought about the installation of the moving killing rail and moving cutting table which were already standard in most plants. Cridlands, a purely domestic firm, claim to have done all sorts of things to keep down processing costs following the 1941 restriction on domestic pork business. However no plant equipment has been added.

The various firms agree that the principal technical changes introduced have been the result of the standard practices laid down by the Bacon Board. These will be discussed in a later section.

3. <u>Effects on Diversity of Products or Adaptation of Technique for New Products.</u>

As explained in the chapter on the 'Nature of the Controls', the packing industry is not one the products of which are likely to become much more numerous during a war than at any other time. A large number of widely varying products is the normal situation. As already explained, also, the larger firms turn out a far greater variety of products than the smaller ones. They tend to process more kinds of livestock and, because of the scale of operations, are able to undertake the production of a long and ever-increasing list of by-products both edible and inedible.

The Bacon Board regulations introduced during the spring and summer of 1941 with the object of increasing bacon exports at the expense of domestic pork consumption have indirectly affected the kinds of meat animals processed by many of the smaller firms, both domestic firms and several of the exporting firms as well. Such firms were led to expand the beef, veal, lamb and mutton business and, in some instances, the poultry and egg business as well. In at least some cases, as e.g. that of John Duff and Sons and First Cooperative Packers, such diversification has been accompanied by the addition of special buildings and equipment. In the case of larger firms which already handled the various types of livestock mentioned, restriction of domestic pork sales had the effect of stepping up the other-than-hog processing business.

There have been changes in the number and kind of products for reasons which, though somewhat different, are indirectly if not directly connected with some of the special control measures. Some of these controls have contributed to a relative scarcity of the kinds of meat cuts normally offered to Canadian consumers. The restrictions on domestic pork consumption have reduced the supply of pork cuts. The general price ceiling program undoubtedly caused an increase in cattle exports in the spring of 1942. This, in turn, meant less beef available for Canadian consumption. The still more recent policy designed to expand wool supplies by increasing Canada's sheep population by a million head in a single year is tending to reduce slaughterings of sheep and ewe lambs. These factors have been combining with the great expansion of consumer purchasing power to provide a demand for any special meat products that packers might be able to turn out. On the other hand the Bacon Agreements, and other regulations designed to maintain or expand livestock production, have contributed to a great increase in the raw material out of which special meat products could be made. More specifically these regulations have

brought large increases in hog numbers and significant increases in other types of livestock. The increase in the number of livestock killed has meant a corresponding increase in the quantity of edible by-product material. Since, however, only limited amounts of edible pork by-products were disposable via the export bacon agreement route, it follows that abnormally large quantities of these by-products have had to be disposed of in Canada. Edible pork by-products have constituted a steadily increasing proportion of all pork sales in the domestic market. It appears that, in order to assist in disposing of the greatly increased supply of edible by-products, some packers have increased the number or varied the character of the commodities made from these by-products. Canada Packers e.g. has paid particular attention to the manufacture of cooked meats. Their volume of commodities such as sausage and new cooked loaves has increased approximately 30 per cent each year. In the case of Intercontinental Pork Packers canned luncheon meat and spiced ham were the new products made. Some 30,000 pounds of these products had been turned out prior to November 1, 1941. None of the other firms consulted had made any change in the number or kind of commodities manufactured from the by-products. The reason, as given by one firm, is as follows: Though prices received for a number of the by-products were very low during the first year of the war, their value doubled during the second war year in spite of the greatly increased supply. For this reason it has not been necessary to make new products.

The restriction on vegetable oil imports after July 1, 1941 has affected the two or three large packers who use oil in the manufacture of shortening and soap. The effects, so far as Canada Packers are concerned, are shown in the following statements based on comments made by that firm in the late autumn of 1941. The reduction in vegetable oil imports had not limited the varieties of shortening made although it had presumably limited the amount of certain varieties. Up to that time sales of shortening and oil had not been reduced. On the contrary sales had increased 36 per cent since July 1. However sales were being checked to a point where they would correspond exactly with the quantities of oil available. The company's plan was to have 'domestic' type shortening carry as much animal fats and marine oils as could possibly be added. In order to keep output tonnage in line with the business done during 1938-40, it was considered that non-vegetable oil would have to be used in the making of 'domestic' shortening to the extent of 43.5 per cent at the Toronto plant and 56.9 per cent at the Montreal plant. The objective at all plants was the addition of 15 per cent lard and 25 per cent tallow to the 'domestic' shortening. It was stated, however, that, due to the fact that lard was not procurable in the quantities required, the company was away behind in the quantities of animal fats that should have been used. The new 'domestic' or blended shortening was considered definitely inferior to the old 'domestic'. The new product was said to be inferior when used in pies and cakes and was inferior also for the reason that it would not absorb moisture. The view was expressed that this inferiority would in time cause buyers to switch to vegetable shortening unless the new 'domestic' product could be improved very quickly. Bakers and retailers were said to have noticed the difference and made complaints but had not yet learned the reason for the inferior quality. Canada Packers claimed that bakers and chain stores were being told about the substitution of animal fats for vegetable oils by the salesmen of vegetable shortening manufacturers. The information was also being spread through newspapers and it was the opinion of the company that such advertising should not be permitted. The following quotation indicates their view. "Should we be unable in short order to make a product just as good, and should competition be permitted to advertise the 'purely vegetable' content of their production in a way that focuses attention that ours is not 'vegetable', our trade on retail packages might be entirely ruined." They added, however, that no such result had actually developed. Moreover the hope was expressed that the new 'domestic' shortening could be improved to the point where it would be just as good as the product replaced. The real trouble was that each lot of animal fats varied in consistency with the result that the shortening produced was not uniform. The problem, therefore, was to find a formula whereby the varying consistency of the animal fats could be replaced by a standard or uniform consistency. As stated by the firm it was the problem of 'making variables constant'. The firm added that no research work had yet been done on animal fats.

Swift Canadian Company stated that their research workers had been working for some years on the problem of producing a quality shortening containing animal fats that would be equal in every way to the purely vegetable product. To accomplish this, flavour, odour, keeping quality and colour had to be improved. They

stated that "processing of ingredients, and proper balance of ingredients have now been worked out and the product we are now marketing, we feel, will be acceptable by all housewives as a quality shortening." It was their opinion that the intrinsic value of the new blended shortening was quite satisfactory when compared with the value of the old product. Their consuming public had not indicated that it recognized any essential change in the intrinsic value of the shortening after more animal fats had been substituted for vegetable oil. In their case also, as in that of Canada Packers, the reduction in vegetable oil imports had not resulted in any less shortening being produced. However, when asked whether the reduction in oil imports had encouraged or compelled the development of new production technique or improvement of manufacturing processes, the answer was in the affirmative.

Wilsil Limited, like the other firms mentioned, had substituted animal fats for vegetable oil when making shortening and felt that, from the point of view of intrinsic value, the new product compared very favourably with the old. No customer dissatisfaction had been expressed and it was not felt that the new product would have any adverse effects on the ability to compete when selling shortening. The volume of shortening produced had not been reduced as a result of the restriction on vegetable oil imports.

Burns and Company reported that curtailment of oil imports had not reduced the volume of their shortening production and that there was no indication that purchasers considered the new blended shortening in any way inferior. In the firm's own opinion the intrinsic value of the new product equalled that of the old. While stating that the oil import restriction had made it necessary to develop improved methods of incorporating animal fats, this firm was of the opinion that its ability to compete in the sale of shortening would be slightly improved because of the general necessity of offering a product containing more animal fats. Prior to the restriction on vegetable oil some of the shortening produced by Burns and Company was purely vegetable and some had a tallow base. Following the oil restriction order all shortening produced had the tallow base.

It appears that the oil restriction order, by creating a special demand for animal fats, has indirectly increased their price and, to some extent, affected the cost of producing shortening. According to Swifts, tallow and lard prices had gone up 4/5 of a cent a pound by late autumn. While Canada Packers, reporting about the same time, gave costs on domestic one pound cartons as follows:

100 per cent purely vegetable	$14.86
15 per cent lard 25 per cent tallow	15.42
15 per cent fish oil 35 per cent tallow	14.94

The effects of reduced vegetable oil supplies on soap production are indicated in the following statements based on a report made by Canada Packers. In the first place volume of soap production has not been reduced. It has been simply a matter of substituting tallow for palm oil. Since tallow and palm oil are interchangeable for soap making the firm is now using all tallow instead of some palm as previously. Because the two ingredients are interchangeable the switch over has not involved any change in the quality of the product. The restriction on vegetable oil imports, by giving rise to a special demand for tallow, has caused decided increases in tallow prices. The change in the raw materials used has not affected labour efficiency in soap making in any way. Canada Packers state that prior to about September 15, 1941, exchange control and import license regulations had caused delays in introducing technical changes and other soap making improvements. However the acute glycerine shortage which developed in September resulted in soap making becoming a war industry, since glycerine is a by-product of soap making. With this development all previous restrictions and delays in securing equipment etc., disappeared, as requests for new equipment were given war priority consideration. In view of these developments, the main problem is at present to find means of further expanding production.

The effects of restricting vegetable oil imports as discussed above in connection with both shortening and soap making must be thought of as quite distinct from the effects resulting from the large scale loss of vegetable oil cargoes and sources of supply in early 1942. The latter hasobviously nothing to do with specific governmental control measures.

4. Effects on Standardization or Reduction in Variety of Products.

Generally speaking the regulations relating to standardization of product consist of the rules laid down by the Bacon Board from time to time and having as their general objective the development of standardized processing and marketing practices so as to obtain the best possible results in the way of quality and uniformity of product.

In connection with these regulations the packers consulted were asked the following questions:

Have any or all of these regulations made for a more satisfactory quality of product?

Have they resulted in greater uniformity in the quality of the product?

Have these regulations brought quality and uniformity improvements more quickly than would have been the case without such regulations?

Have they resulted in less complaints or rejections on the part of Dominion inspectors and the British Ministry of Food?

Have these regulations made it necessary to hire any extra employees and, if so, how many?

Have these regulations reduced or increased the competition to find better methods of producing high quality products between your firm and other packers?

To what extent has lack of equipment, due to lack of government regulations, hindered your ability to compete for business?

Have these regulations done much to encourage necessary technical improvements in processing or handling methods?

Have they really aided in bringing about more stable and standardized handling methods?

Do you regard changes resulting from these regulations as definite improvements and a net and permanent gain to the industry?

Would you like to see these or similar regulations continued as a permanent part of our marketing methods?

Have these regulations added to your handling costs? If so, in what ways and to what extent?

In no part of this study has there been such unanimity of packer opinion expressed as is shown in the answers to these questions. The answers are remarkable not only because they reveal substantial agreement but because of the unhesitating and positive manner in which they were given.

All packers were agreed that the regulations in question have resulted in a better and more uniform quality of product and had definitely hastened the coming of such improvements. That the regulationshad reduced the amount of product rejected or complained about by inspectors was the experience of nearly all packers. First Cooperative Packers gave a negative answer to this question but, in doing so, expressed the view that additional rejections or complaints were due to the fact that improvements in product, while considerable, had not kept pace with increasingly critical standards adopted by the seaboard inspectors. John Duff and Sons stated that they had heard nothing about complaints on the part of the British Food Ministry but that complaints in plenty had come from Bacon Board inspectors and following Canadian Seaboard Inspection. Such complaints related mainly to technical details of workmanship. Schneiders did not know whether complaints had decreased or not while Wellington Packers stated that they hadn't had any complaints or rejections whatever.

All packers, except Wellington and Canada Packers, had found it necessary to hire extra employees because of the operation of the special regulations. While most operators stated that it was difficult to estimate the actual number hired for this reason, there was general agreement that the number was not large. Swifts and Schneiders said the regulations had made it necessary to hire a few extra workers. Wilsils and Duffs stated that several had to be added. Whytes estimated the extra workers at 20 while First Cooperative Packers claimed to have hired at least a dozen. There is obviously a connection between the need for this extra labour and the fact of additional handling costs in general.

The answers indicate that these regulations have meant additional handling costs, though here again the increase has not been really significant and the

general feeling seems to be that the benefits resulting far outweigh any extra costs. The handling costs have been increased because the Bacon Board requirements have meant extra supplies, labour, checking, icing, boraxing, the making out of reports and general supervision. While all firms reported some advance in handling costs, Canada Packers stated that the increase was seen in the office expenditures only - no additional plant costs have been incurred.

There was some difference of opinion as to whether the regulations had reduced or increased the inter-firm competition to find better methods of producing high quality products. Some firms thought this competition had increased while others thought it had become less. The reason for these differing viewpoints would seem to be that all firms were not thinking of the same kind of competition. So far as the use of formulae and processing methods are concerned, information is either open as between plants or is translated into practice through the standardized requirements of the Bacon Board. That the regulations have reduced inter-firm competition in this sphere probably all would agree. So far as workmanship or actual implementation of standardized formulae and methods is concerned, however, competition has undoubtedly increased.

All but three firms (Swifts, Wilsils, and Schneiders) stated that the regulations in question had done much to encourage needed technical improvements in processing and handling methods. Several claimed that the improvements had been very considerable. Every firm agreed without any qualifications that the regulations had really helped to bring about more stable and standardized handling methods. While the Schneider firm limited itself to the statement that the regulations had helped 'some', the general view seemed to be that there was no doubt about the matter.

When asked whether they regarded the changes resulting from these regulations as definite improvements and a net and permanent gain to the industry and also whether they would like to see these or similar regulations continued permanently, all firms answered in the affirmative. Only two firms attached any qualifications to their answers. Canada Packers said 'yes in part.' John Duff and Sons said the changes had brought definite improvements 'in many respects' and that they would like to see the regulations continued permanently 'in many particulars.'

The large measure of packer support for this particular set of regulations is quite significant. It probably reflects the general recognition of the need for adopting standardized methods as a means of turning out a standardized product. In any case the tendency to welcome a standard set of instructions issued by a special government agency is worthy of note. It should also be mentioned, however, that the general practice of the Bacon Board has been to issue its technical requirements only after consultation with the representatives of the industry. In reality these requirements ordinarily represent the general application of the best methods developed by the industry itself. Such being the case the Bacon Board, being a central directing agency and having authority to demand compliance, has done something which packers wanted done but which, acting by themselves, they were unable to do either quickly or completely enough.

B. PRICES

1. Effects on Availability and Price of Raw Materials and Supplies.

As already stated the really important raw material used in the packing industry is the livestock. Since, however, the effects of the more important regulations affecting livestock supplies have been discussed at considerable length in the early part of this section, it seems unnecessary to reconsider them here. In what follows, therefore, attention will be confined to control measures and effects not previously dealt with in any detail. The first measure to be considered is the order of July 23, 1941, which forbade the exporting of live hogs and pork products to areas other than the British Dominions.

Throughout 1940 hog prices in Canada were very considerably above the levels ruling in the United States. As a result no live hogs were exported from Canada. By the beginning of 1941, however, the price in the States had risen to a point where it was about on a par with the Canadian price. During the first three months of 1941 the American price occasionally exceeded the price in Canada with the result that a few Canadian hogs were exported. Then, beginning about the middle of April, a pronounced upward trend in American hog prices began and hog exports from Canada suddenly increased. Most of the hogs exported at that time went from British Columbia while some were shipped from Alberta, Manitoba and Ontario. From April on American hog prices continued to rise and Canadian hog exports continued to expand. In order to curb hog exports and thereby retain all possible hogs in Canada for use in filling the export bacon contract, steps were taken to bring about a rise in the Canadian hog price.

On May 2 the price paid the packers for bacon by the Bacon Board was increased by $1 per hundred pounds, the increased cost being borne by the British Food Ministry. Further increases in the price paid by the Board were accounced on June 2, June 24, and July 23. On these dates the advances were 75 cents, 75 cents, and $1 per hundred pounds respectively, the additional payments being made by the Dominion government as a special subsidy. Following these increases in bacon prices, hog prices began to rise. In May the average price of B1 dressed hogs at Toronto was $12.14 a hundredweight compared with $11.33 in April. In June the average price was $13.46 while that for July was $14.62.(1) A peak summer price of $15 was reached late in July.

These increases in hog prices, while no doubt mainly due to the higher prices being paid for bacon, were partly a result of a keen domestic and U.S. demand for pork and the need for meeting the steadily increasing American hog prices. Despite the several increases in bacon prices, the domestic and United States markets were more profitable packer outlets than the British export bacon market.

While the increases in Canadian hog prices undoubtedly did a lot to reduce Canadian hog exports, relatively greater hog price increases in the United States resulted in hogs moving across the line in May, June and July in considerable and indeed increasing volume. The high export month was July during which nearly 14 thousand hogs were shipped. Altogether between January 1 and July 23 over 34,000 live hogs had been exported and all but a few of these had gone after April 15.

From the above two conclusions may be drawn. The first is that up to July 23, 1941 raw material, i.e. the livestock, available for processing in Canadian plants was less than it would have been had no hog exporting taken place. The second is that, up to that date, the necessity of meeting United States hog price competition was an important factor in bringing about the rise in Canadian hog prices.

On July 23 an Order was passed prohibiting any further export of live hogs and pork products to the United States and other non-Empire countries. At the same time an advance of $1 per hundred pounds (the last increase in the series already mentioned) in the price paid packers by the Bacon Board was announced.

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(1) All these figures quoted from the bi-monthly issues of "The Current Review of Agricultural Conditions in Canada" prepared jointly by the Markets Information Section and the Economics Division, Department of Agriculture and the Agricultural Branch, Dominion Bureau of Statistics, Department of Trade and Commerce.

At the same time, also, the Bacon Board called for a further reduction of 25 per cent in the amount of pork that could be sold in the domestic market. All three of these steps were destined to affect the price of hogs while the first one general effect of the embargo on the export of live hogs has been that all the hogs that might otherwise have gone to the States have remained to be processed in Canada. Another important and immediate effect was that Canadian packers were no longer required to compete against the prices being offered for hogs in the United States. The third major effect was that product which would have gone to the States was made available for swelling the total of Canadian bacon shipments to Britain.

Just what effect the embargo on exports has had on the price paid for hogs in Canada is difficult if not impossible to say. That it has been very considerable, however, is indicated by the increasing discrepancy between American and Canadian hog prices since the order was passed. The dressed price of B1 hogs at Toronto averaged $14.62 a hundred pounds in August, $14.65 in September, rose to $14.75 following the announcement of the third bacon contract in early October, and remained at about that level for a considerable time. A significant rise occurred around mid-December. This rise continued with the result that the December price averaged $14.89 and that for January 1942, $15.31. After rising to a high of $15.75 the price dropped to $15.25 in the latter part of January and hovered in that neighborhood until early in June. Since then it has risen gradually to $15.75 at mid-July. In contrast it may be noted that the average price of all hogs at Chicago was $10.75 a hundred live basis in July 1941, $10.87 in December, and $11.60 in January 1942. Further advances were recorded in February with Chicago prices soaring to nearly $13.00. Then, despite several government restrictions aimed at preventing price increases, the price climbed to well above $14 live basis in April.

These figures may be summarized by stating that, whereas the variation in the price of Canadian dressed hogs between July 1941 and July 1942 has remained within the 75 cents range, the price of live hogs in the States has advanced from an average of $10.75 in July 1941 to considerably above $14 in April 1942. In the light of these figures it seems obvious that had steps not been taken to prevent export, Canadian hogs would have been shipped to the States in wholesale quantities and that the price received for them would have been very considerably above that paid in Canada during the past year.

It may also be noted that, immediately after the order prohibiting hog exports, the Canadian price dropped somewhat from the high point of $15 ruling just prior to the order. The figures show that the average Toronto price for August was exactly the same as that for July and this despite the fact that on July 23 the Bacon Board began paying packers an additional $1 per hundred pounds for bacon. How much further the price would have fallen after the order to stop exporting had the price paid for bacon not been raised can only be conjectured.

2. <u>Effect of Fixed Export Bacon Prices on the Price of Hogs.</u>

One of the declared duties of the Bacon Board was to see that a fair relationship was maintained between the export bacon price and the price paid for hogs. In accordance with this objective one of the Board's early moves was that whereby exporting packers were required to make weekly reports to the Board showing the dressed cost of hogs being processed for export. The idea was that this hog cost when related to the price being paid by the Board for bacon would serve as an index of the degree of satisfactoriness of hog prices.

From the time the Board began operating until about April 1, 1940, hog prices continued on a very even keel because they were based on the export bacon price which was, of course, a fixed price. That is to say during this period, after current export shipments plus storage accumulated for export were provided for, all hog products remaining could be sold in Canada at a price corresponding with the export bacon price. During the first part of April, however, hog prices dropped significantly in spite of the continued fixity of the export bacon price. At that time storage holdings were extremely large, hog marketings were heavy with the prospect that they would continue to be heavy until the end of the hog contract year, and the British Ministry steadfastly refused to accept weekly

shipments greater than those specified in the agreement. The general feeling, including that of the packers, was that it would be necessary to offer increasing amounts of product on the domestic market and that this would result in a domestic price considerably lower than the export level. At this juncture Denmark and Norway were invaded and this fact inspired renewed confidence regarding export possibilities. On April 10th the Board instructed packers to resume storing to the Board's account. Following this action hog prices rose almost to the previous export level. It soon became clear, however, that there was no immediate hope of increasing export shipments and hog prices fell again.

Hog prices fell in the first instance because it was realized that, in order to get rid of all the pork products that would remain after export requirements were met, Canadian pork prices would have to be lowered very considerably below the export level. If hog prices fell for this reason they were destined to fall still more because the Bacon Board reduced the export bacon price by 50 cents a hundred pounds on May 6 and did not restore it to the previous level until July 22. The reduction was made partly because of widespread dissatisfaction with the fact that farmers were being required to accept lower hog prices despite the maintenance of the export bacon price level, partly because of the Board's obligation and desire to maintain a satisfactory margin between hog and export bacon prices, and partly also because the Board hoped that a temporarily low pork price would help to build up the domestic market. In any case the reduction in the export bacon price, while it lasted, had the effect of increasing the drop in hog prices.

During the first contract year the export bacon price paid to packers by the Board was considerably below the price received by the Board from the British Ministry. The difference permitted the Board to pay for extensive storing, cover various other operating expenses, and accumulate a sizeable reserve fund. When the price paid to packers was reduced during May, June and July by 50 cents a hundred as noted above, the difference between the price paid and that received by the Board was widened to that extent. This, in turn, increased the size of the Board's reserve. While the building up of this reserve fund made necessary the paying of somewhat lower bacon and, therefore, hog prices than would have obtained otherwise, a large part of the fund was used to support those prices at a later period. The second Bacon Contract period opened in November 1940. Under this contract the price paid by the British Ministry was very considerably less than under the first contract. Because of this price drop and because it was the season of heaviest hog marketings, the Board used a large part of its reserve fund to bolster the price which it paid the packers. Instead of dropping its price abruptly from the $17.70 paid under the earlier contract to the $16.10 which the new agreement price permitted it to pay, the Board paid packers $17 during the first two weeks of November. This action helped to cushion the fall in hog prices at a time when hog marketings were particularly large.

As soon as this price-supporting action ended and the Board lowered its price to $16.10, the price of hogs (live basis) fell 50 cents a hundred. In December it began to rise again. From then on it alternated slightly in both directions but, on the whole, the trend was upward. During most of the winter the price was not far from where it had been in the first part of November.

This gradual hog-price rise from December 1940 to the end of April 1941 reflected the operation of factors other than the export bacon price. By the beginning of this period American hog prices had risen to the point where they were about to attract Canadian hogs and they continued to advance as time went on. In addition to this, however, was the fact that an increase in domestic pork consumption was gathering momentum. Figures collected by the Bacon Board show that domestic consumption increased markedly during the first four months of 1941. Other factors such as a rise in price of hog by-products and increasing evidence of a gradual slackening in the rate of hog production may also have helped to keep hog prices higher in relation to the export bacon level than at mid-November. However, the combined influence of these factors became really significant only after May 1st. We have already noted the pronounced rise in hog prices which occurred during the spring and summer of that year and how the Bacon Board was compelled to raise its bacon price on four successive occasions. This means that the hog price was really determined by factors quite distinct from or in addition to the export bacon price. Put in another way it means that the export bacon price had to be raised to permit the payment of a hog price that would have been paid in any event. If the Bacon Board and Canadian packers had not bought the hogs at that price Canadian and American consumers and American packers would have.

From the foregoing discussion it would appear that the fixing of the export bacon price for long periods has resulted in a much more even hog price throughout the year than existed previously. The pre-war price variation as between seasons and particularly between the high of July and August and the low of November seems to have been very considerably eliminated. It should be noted, however, that the centralized shipping and storing policy (to be mentioned shortly) has contributed along with the fixing of the export price to produce this result.

Before leaving the matter of a fixed export price one further effect of the policy should be indicated. It is obvious that with a fixed price there is no longer any need for a packer to run the risk of a price change between the time he buys hogs and the time the product is offered for sale in the export market. The elimination of this risk and, therefore, the cost of running it should make for narrower packer margins and provide an opportunity for increasing hog prices or decreasing pork prices or both. Insofar as the elimination of the risk of price change extends to the large amount of product that has to be stored for long periods, the reduction in packers' costs should be considerable.

3. Effects of Controlled Shipping and Storing on the Price of Hogs.

One of the most important specifications of the annual Bacon Agreements has been the one which called for shipment of the total amount of bacon bargained for in as nearly as possible equal weekly instalments. The weekly shipments were to be 5.6, 8.2, and 11.5 million pounds during the first, second, and third contract years respectively.

In order to comply with this requirement two major steps had to be taken. The first step was to arrange things so that all orders to ship would be directed through one central clearing office. This was necessary in order to avoid shipping either too much or too little in any given week. The second step was to undertake a centrally directed and large scale storing program. Only by this means could the extreme variation in hog marketings from season to season continue side by side with non-seasonality in bacon shipments. The shipping and storing functions have been among the more important ones under the control of the Bacon Board.

To the extent that equal weekly shipments have been approximated the export demand has been regularized or made more constant. This, in turn, has been a further important factor among those making for a more even price for hogs. After all price is a resultant of supply and demand forces and anything that assists in bringing about greater regularity of either supply or demand or both thereby contributes to a more even price level. While it is impossible to measure the actual extent to which reduced hog price variations from week to week, month to month, and season to season, have been the result of greater regularity of bacon shipments as distinct from other factors, ordinary reasoning suggests that the influence of this factor has been considerable. In this connection, however, it must be remembered that anything like complete equality of weekly shipments has been quite impossible because of the wartime difficulties in securing shipping space.

If more even shipping has affected hog prices the storing program has affected them even more. The first thing to note is that most of the cost of storing export product has been paid for by the Bacon Board. While this cost has to be estimated and allowed for before the schedules of export prices paid to packers were set, it has meant that the storage cost item formerly paid by packers themselves has been greatly reduced. Moreover the fact that the cost of storing has been paid for in the form of a lower price to all packers means that the storing cost has been spread over the industry as a whole. To the extent that some packers are able to and ordinarily do store a far larger percentage of their product than others, the paying for storing in the form of a reduced price really amounts to paying a higher price to firms which store the larger percentages and a lower price to the others. A small deduction is made in the price paid for the large amount of unstored product of some firms in order that a slightly higher price can be paid for the large amount of stored product held by other firms. The general result is that the pre-war influence of high or low storing costs on the price offered for hogs has been at least partially removed.

The second thing to note is that the cost of storing has been spread over the product of an entire year. That is a lower price is paid throughout the year in order that the cost of storing at some particular time or times during

the year may be covered. This policy has tended to support hog prices during seasons of heavy marketings and storings and to exert a price-depressing effect at other seasons. In short it has tended to iron out the previous wide discrepancies in hog prices as between seasons. It is not suggested that it has completely removed those discrepancies. The latter were not entirely due to the seasonal variations in the need for storing. They were partly the result of variations in buying and processing costs which accompanied variations in hog marketings.

The foregoing are some general effects of the storing program per se. A somewhat better idea of the way in which hog prices were actually affected by the storing program as carried out may be obtained by noting the experience of the first contract year. During the fall and winter of 1939-40 hog marketings were extremely heavy. While the weekly export bacon shipments actually exceeded the agreed-upon amounts in December and January, the Bacon Board anticipated that during the following summer months it would not be able to secure the full 5,600,000 pounds per week agreed upon plus anything additional that might be needed from the hogs marketed at that season. It therefore decided that a lot of bacon produced during the late fall and winter, when hog marketings were heavy, should be stored until the summer season when hog marketings were expected to be much lower. At that time it would be used to supplement current supplies so as to make up the weekly export totals required. Altogether over 30 million pounds were stored for this purpose. Being earmarked for export it had the effect of limiting greatly the quantity of pork from Canadian hogs that had to be sold for consumption in Canada.

During December, January and February there was a large amount of pork consumed in Canada. Part of this pork was the product of Canadian hogs but a lot of it was imported from the United States. Roughly speaking the amount of American pork imported just about corresponded with the amount of Canadian pork stored for summer export shipment. Almost 24 million pounds were imported in January and February alone. This imported pork was obtained by packers at a lot lower price than that which the pork processed from Canadian hogs cost them. The average price received for all the pork (Canadian and American) which was sold in the domestic market was below the export bacon price but above the imported pork price. What packers lost on the domestically produced article was offset by the profit on imports. In other words, the profit made on imports permitted the packers to pay a price in line with the export bacon price for the Canadian hogs consumed in Canada. Had the storing program not been undertaken, the amount stored would have had to be sold in the domestic market and at a price about equal to the average price received for all the product that was actually sold there. Since this price was considerably below the export bacon price, the need for accepting it would have caused the price of hogs to fall to a point somewhere between the export and domestic price levels.

During the following summer, however, when supply and demand conditions failed to correspond with the Board's expectations, the price of hogs did fall below the export level. The reason was that, when the large amount in storage was taken care of, the unexpectedly large summer marketings were not all needed to fill the export shipments. To get rid of the rest on the domestic market the price on that market had to be lowered. This, in turn, resulted in lower prices for hogs and export bacon as already explained. The net result of storing was that winter hog prices were maintained at the expense of a drop in late spring and summer. There was probably a gain to farmers on balance inasmuch as somewhat more hogs were marketed in the earlier than in the later period. It must also be remembered that it was the storing program which really made possible the pork importing program and that only certain packers were able to participate in this. Those unable to do so were placed in a relatively weaker position in respect to their ability to buy hogs. They either had to buy less hogs or incur a greater loss on their domestic business.

4. The Price Ceiling Policy: The Rise in Prices.

The prime purpose of the price ceiling policy was to prevent retail prices from rising above a stipulated maximum level and thus prevent the development of any serious degree of inflation. It was obvious that increasing scarcity of products coupled with a high level of purchasing power would result in inflationary price increases unless special price control measures were applied.

The general effectiveness of the ceiling policy to date may be judged by examining the cost of living index figures for the period since December 1, 1941 at which time the policy was inaugurated. During the seven months from December 1, 1941 to July 1, 1942 the cost of living index rose from 115.8 to 117.9 or 2.1 points. This rise was only about one quarter as much as had occurred in the seven-month period prior to December 1. It thus appears that, from the standpoint of preventing increases in the cost of living as a whole, the policy has so far proved very effective. It is significant, however, that most of the rise which has occurred has been in connection with the food items. While little or no change has taken place in the clothing, fuel and lighting, rental home furnishings and services, and miscellaneous indexes, the food index has risen from 123.8 to 130.3. Most of this rise, in turn, is the result of fairly pronounced increases in the price of a few important food products. The list of such products includes most of the meats, fish, onions, potatoes, and more recently eggs.

In searching for reasons as to why the retail prices of these particular products should have risen above the levels ruling in the basic period it would seem that there are only three possible explanations. One is that ceilings higher than the ones originally specified have been allowed for one reason or another. A second is that the prices permitted by the ceilings are somewhat higher than the average price received during the basic period i.e. higher than the prices used in compiling the index. Where price increases cannot be explained on either one or both of these bases, the only conclusion one can reach is that it has not been possible to enforce the ceiling prices.

It would seem that the first two and possibly all three of these explanations are necessary, if one is to account for the rise that has occurred in the retail price of meats since December 1, 1941. To a considerable extent the price increases simply reflect special regulations made whereby maximum selling prices were allowed to exceed the basic period prices. For example the price of frozen lamb shipped during January and June inclusive was allowed to exceed the basic period price by from 1 to 2¼ cents a pound depending upon the month of shipment. In the same way fresh lamb shipped during January to May inclusive was allowed to be sold above the basic period price by as much as 4 cents a pound depending on the date of shipment. Fresh lamb from lambs born in 1942 or December 1941, if shipped before August 15, was exempted from the maximum price regulations. In the same way new and higher maximum prices for beef were permitted by an Order passed on May 19, 1942 and shortly afterward provision was made for varying the price from season to season within a range of 3½ cents a pound.

Even where no such alterations in the ceiling price have been made, as in the case of pork products, it has been quite possible to receive an average price considerably above the average received during the basic period. The reason for this is that the ceiling price permitted was the highest price received for any part of the product during any part of the basic period. In view of the general supply and demand conditions then prevailing it would be very surprising if there has not been cases where small amounts had been sold at prices considerably above the average. In such a seller's market any buyer who was obligated to secure supplies and whose credit and general buying strength was poor was likely to encounter rather stiff buying terms. To base the ceiling on prices charged in such exceptional cases was to provide for an average price much above the average received during the base period. While this definition of the maximum price would obviously lead to a rise in the price index for pork products there is no reason why its influence in that direction should become more marked as time went on. The fact that the retail price index was continuous for several months suggests that some other factor was at work. It would appear that the other factor was a partial failure to enforce the ceiling prices.

While the record shows that most meat prices have not been completely prevented from rising by the price ceiling policy, it is undoubtedly true that, in the absence of that policy, meat prices, together with the prices of livestock, would have gone much higher. In view of the supply and demand situation that has prevailed this seems a safe conclusion. It would also be true that, to the extent that prices have been prevented from rising, the relatively limited supplies have been shared more evenly by consumers. Had prices been allowed to go unchecked the lower-income consumers would have had to go without meat or be content with smaller purchases. This, in turn, would have had an unfavourable

reaction on health, morale, and labour efficiency. In short, one may say that, to whatever extent an inflationary price rise has been prevented, all the undesirable results of inflation have been avoided.

5. Effect of the Ceiling Policy on the Price of Hogs

Between the inauguration of the ceiling policy and the middle of August 1942 the price of hogs rose gradually and almost uninterruptedly. At the end of this period the price was about $1.50 a hundred pounds (dressed weight) higher than at the beginning. In view of the rather remarkable parallel between the rise in hog prices and the rise in domestic pork prices it may appear to some that a pronounced cause and effect relationship has existed. It might even be suggested that we have in this fact of a hog price rise the best possible evidence of the inability to maintain ceiling prices on pork products. It is true that during this period there has been a fixed and constant price for pork products exported and also that a constant maximum price for pork products sold in the domestic market was supposed to exist. It is also true that we have had a supply and demand situation such that the domestic maximum price was certain to be the minimum as well. Even assuming complete constancy in the price of all hog products, however, it by no means follows that one should expect the price of hogs to remain unchanged. During the spring and summer when the price paid for hogs was moving upwards hog marketings were declining. As the total number of hogs marketed declined, a larger percentage of that total went to supply the more profitable domestic market. The number of hogs that went to supply the domestic market was determined in relation to the number sold there in 1940 and not in relation to the total number of hogs coming to market. Since most of the hogs were handled by the packers who are engaged in both the export and domestic business, the latter were able to offer more for hogs according as the domestic part of their business formed a larger percentage of the total.

Whereas hog prices continued to rise until the middle of August, they have tended downward since that time. At the present time (end of September) the price is over a dollar a hundred lower than at mid-August. This fall is partly explained by the fact that hog marketings have been increasing somewhat even though considerably less than during the same period in 1941. This means that the number that could be disposed of in the more remunerative domestic market has formed a gradually smaller percentage of the total number marketed. In addition to and more important than the increase in marketings has been the influence exerted by the recent Order reducing domestic sales from 75 to 50 per cent of what they were in the corresponding weeks of 1940. This Order, by transferring business from the more profitable domestic to the less profitable export market, has made it necessary to lower the bids for hogs. Incidentally it may be worth noting that the Dominion Livestock Market Reports covering the last few weeks show a rather marked increase in the percentage of all hogs marketed which has gone to butchers as distinct from packers. The explanation would seem to be that the butchers, most of whom are exempt from the 1941 and later orders reducing the amount of pork that could be sold in the domestic market and all of whom are catering exclusively to the more profitable domestic market, have been able to outbid some of the packers to a certain extent. The packers least able to buy are those with the smallest percentage of domestic business.

While variations in marketings have affected hog prices in the direction and for the reasons outlined above it should be noted that they influence prices for still another reason. Insofar as profit from processing and therefore ability to buy hogs depends on the volume of business, periods of reduced marketings are likely to be accompanied by keener bidding for hogs. Higher prices are offered in order to maintain volume.

The ceiling policy has probably exerted some influence over hog prices indirectly. That policy has removed the opportunity of securing a speculative as distinct from an operating margin. It removed the possibility that hog product prices might rise between the time a hog was bought and the time the resulting product was offered for sale. Whereas previously a packer may have bid more for hogs in anticipation of a rise in the price of the product he will no longer do so. Since there is no longer any chance of securing a higher price when selling he will attempt more than ever to make sure that his buying price allows the necessary margin. The ceiling policy may therefore have tended toward buying

that is more careful in the sense that it is more closely related to operating margins. While there is no reason to expect the buying to be any less competitive, the new competition is more likely than the old to reflect true operating efficiency. It might be expected that hog prices have been raised to the extent that the cost of running the risk of price changes has been removed. Whether this has happened we are unable to say.

To the extent that the ceiling policy has affected the cost of producing hogs it has exerted an indirect influence on the number produced and therefore on the price received for them. By preventing a rise in the price of hog feeds it has encouraged hog production and thereby tended to increase the percentage available for export and to reduce the level of hog prices. On the other hand, by preventing further rises in wage rates and other packer costs, the policy has assisted in insuring that the largest possible percentage of the consumer's dollar would be returned to the producer.

To the extent that the ceiling policy has prevented prices of by-products from rising it has thereby tended to prevent increases in livestock prices. This factor has obviously less significance for hog than for cattle prices. Receipts from the sale of by-products make up a much larger part of the packer's total returns in the case of cattle than of hogs.

During the summer of 1941 packers received word from the Wartime Prices and Trade Board to the effect that in the Board's opinion the price of lard had gone high enough and requesting that it be not allowed to advance further. Despite the fact that government index figures show a steady and pronounced rise in the retail price of lard between July and November 1941, packers claim that the Wartime Prices and Trade Board request order resulted in them getting a lower price for lard than they would have otherwise. They add that the failure to receive this higher price for lard was reflected in a lower price for hogs than would have otherwise obtained. During 1942, however, lard prices have been considerably below the basic period price. If, therefore, lower lard prices during this later period have tended to reduce the price of hogs it is not due to the imposition of a ceiling price on lard.

On the other hand the setting of a maximum price on hides during the summer of 1941 appears to have resulted in a rise in the price of beef rather than a fall in the price of cattle. The reason is that, since surplus cattle were exported to the United States, prices received for Canadian cattle were set in relation to those ruling across the line. Inability to secure a higher price for hides was therefore reflected in higher beef prices. In the same way the Government Order limiting the price received for Livestock Feed Concentrates (tankage, blood, etc.) caused higher prices for beef. However, insofar as these concentrates were by-products of hog-processing as distinct from beef-processing, the order preventing their prices from rising tended to keep hog prices from rising.

6. Some General Effects of the Ceiling Policy

Whether the developments described below have become general or whether they apply to a limited extent only, we are unable to say. Much more information than we have been able to secure thus far would be necessary in order to reach a definite conclusion on this point. In view of all the circumstances, however, it appears probable that the changes mentioned have become fairly general.

Prior to the imposition of ceiling prices the usual practice of packers when selling to retailers was to vary the price somewhat according as the quantity purchased was large or small. Large purchasers were quoted a lower price than the small ones on the principle that it cost less to sell to them and also because they were regarded as specially desirable customers. With the application of maximum prices and the practice of defining the maximum price as the highest price charged during the basic period, there has been a tendency to charge the same price to all buyers large or small. With the relative scarcity of supplies, packers as sellers no longer find it necessary to offer price concessions to secure customers. Moreover the fact that packers have not had to hunt for buyers has tended to minimize their selling costs. While this one-price policy may have been in process of development prior to price control, due to the particular supply and demand situation, the desire to secure the highest price possible under the ceiling arrangements has undoubtedly hastened its coming

A further factor in the situation has been the packer's desire to spread his limited supplies in such a way as to retain as many retail customers as possible.

In somewhat the same way the adoption of the ceiling policy has tended to result in the former custom of quoting different prices to cash and credit customers being replaced by uniform selling terms for all. The credit price has tended to become the cash price and the practice of selling on a credit basis has tended to disappear. In this case also, however, the ceiling policy has merely served to hasten a development already under way. Scarcity of product and added purchasing power had already done much to make the change both necessary and possible.

Before maximum prices were applied retailers of meats ordinarily varied the price charged depending upon the grade or quality of the carcass from which the various cuts were secured. For example meat from hogs grading C or D was considered inferior to and was sold at a lower price than that from say B1 hogs. Such price discrimination on a quality basis has apparently tended to be discouraged under the price ceiling plan. The absence of official grades for meat plus the indiscriminating and urgent nature of consumer demand has tended to make possible the sale of varying quality of product at a single maximum price. In other words, while the ceiling price policy may prevent the charging of a higher same price. Since retailers are only permitted the same margin for carcass as in the base period, it would seem that they are able to follow the practice mentioned only if the packers who sell to them do likewise. The possibility of this practice would seem to exist in the case of pork products only. In the case of beef, where different classes of carcasses are given different maximum prices, it is effectively guarded against.

7. The Effects of Prohibitions on Export

(a) On prices received for products.

It is only natural to expect that orders limiting or prohibiting exports would have resulted in lower prices than would otherwise have been received. Exportation would not be taking place and exports would not have to be prohibited were not prices in the export market higher than in the country doing the exporting.

Some idea of how restrictions on exports affected selling prices may be gained by noting the situation in regard to certain products. According to Burns and Co. P.C. 5532 prohibiting hog and pork exports to the United States reduced slightly the price obtained in Canada for heavy sow cuts. Swift Canadian Co. stated that this order had reduced the average price received for hog products by from 1 to 7 cents a pound depending on the product. But for this order they would have been exporting pork tenderloins, trimmings and fancy meats. Canada Packers reported that for a short period following this order the price of certain pork cuts was reduced 2 cents a pound and that of sow products by approximately 3 cents a pound. These declines proved to be only temporary, however, because of the shortage of pork products in Canada. In the meantime, however, U.S. prices continued to rise. As a result the company stated that, but for this order they would then (October 1941) be exporting such products as hams, trimmings, tenderloins and boneless sow shoulders.

All the larger firms reported that the selling prices of tankage products were affected by the prohibition of export in that the U.S. market was cut off, Canada Packers claimed that the greatest changes were in connection with the production in Western Canada. Inability to export meant that the large Western surplus had to be marketed in Ontario and this involved the paying of high freight rates. Because of this situation, together with the government's request that feed prices be lowered in the East, the prices received for tankage products (about November 1) were lower than export values by approximately:

	Ontario	Manitoba	Alberta
Tankage, per ton	$22	$30	$30
Dried blood, per ton	$21	$28	$28

Swifts estimated that the prohibition of exports had reduced the selling price of dry rendered tankage by 34 cents per unit of protein and that of wet rendered tankage by $2 per unit of ammonia. Burns and Co. estimated that inability to export had reduced the values of cracklings by 25 per cent while Wilsils placed the reduction in price of cracklings at 50 per cent.

According to Swifts the order prohibiting export of hides had reduced selling prices from nothing to 1½ cents a pound depending on the kind of cattle the hides were from, and prices of calf skins from 2 to 3½ cents a pound depending on weight.

In this connection it is of interest to note that some of the smaller firms, which export few if any by-products and which dispose of much of their by-product material to the larger firms, noted little change in price. For example Whytes stated that the prohibition on exports had had no effect on the prices received for by-products while Schneiders' only comment was that lower prices had been received for kidneys.

(b) <u>On prices paid for livestock.</u>

The general view of packers was that lower prices for by-products resulting from inability to export had meant higher meat prices but not lower livestock prices. In view of the intense nature of the demand for meat at the time together with the fact that cattle values were directly related to export prices this view would seem to be substantially correct at least so far as beef is concerned. Furthermore it is probable that the full incidence of lower by-product prices was exerted before the imposition of the price ceiling prevented further raising of meat prices. There is, however, some possibility that inability to secure higher prices for hog by-products was reflected in slightly lower hog prices as well as considerably higher pork prices. The fact that such a large proportion of the pork products had to be sold for export at a fixed price leads one to this conclusion. However we have no definite packer opinion on this point.

EFFECTS OF THE CONTROLS

C. MARKETS.

1. Effects on Character and Organization of the Market where Products are Sold.

If controls have contributed to the large expansion in hog production they have also been responsible for the fact that an increasingly large percentage of hog products has been sold in the export market. While Canadian hog marketings increased from 3,706,169 in 1939 to 6,216,207 in 1941, bacon exports to Great Britain advanced from 186,473,000 pounds to 464,614,000 pounds. As late as May and June 1940 roughly half the hogs marketed in Canada went into domestic consumption. Since September of that year the percentage consumed in Canada has fallen to around a third of the total. According to the Bacon Board the domestic restriction programme and the shutting off of hog and pork exports to non-Empire countries, both of which were undertaken during the late spring and summer of 1941, resulted in the product of some 15,000 extra hogs being exported to Britain before the end of the second Bacon Agreement period. Most of this increase was due to the cutting down of domestic consumption.

The necessity of exporting stipulated amounts of bacon irrespective of the total quantity produced has definitely affected the character of the domestic market. During the spring and early summer of 1940 inability to expand exports caused unexpectedly large supplies to be loaded upon the domestic market. The result was that domestic pork prices fell considerably below the fixed export levels while hog prices tended to occupy an intermediate position. As the price paid for hogs tended to be above the price received for domestic pork, the scale of operations of domestic packers and others whose business was largely domestic tended to decline. The situation would have been still more serious, however, had it not been for the expanding purchasing power of Canadian consumers and the government restriction on U.S. pork imports. Since the spring of 1941, on the other hand, the domestic market, instead of being unduly depressed, has been extremely buoyant. The difficulty of finding enough product to fill the export contract plus increased purchasing power in Canada had caused domestic pork prices to rise above the fixed export price even before the 1941 restrictions on domestic consumption were introduced. Following those restrictions the domestic price advantage became much more pronounced until the advent of the general price ceiling policy called a halt. A somewhat higher price for exports in the third Bacon Agreement has, however, at least partly offset this advantage. This advantage meant a very considerable widening of the margin between the price paid for hogs and that received for pork sold for domestic use. The domestic packers, in particular, tended to have a good innings until the Bacon Board orders restricted the volume of domestic business.

In the case of purely domestic packers and some others as well these orders reduced not only the volume of domestic pork business but the size of domestic sales areas as well. In a few cases packers were merely prevented from increasing the number of domestic customers or sales areas. In a few others only slight reductions in sales areas have resulted. In several instances, however, quite drastic curtailment of selling areas has taken place. First Co-operative Packers e.g. was forced to close four territories and lay off four salesmen. John Duff and Sons reported the closing of several sales territories, chiefly the more remote high expense ones. Proctor's, a purely domestic firm located at Brantford reported similar action. Cridlands, another domestic firm, stated that, whereas it used to sell as far away as the Northern Ontario towns and Ottawa, its selling is now confined to Toronto and an area around and within a radius of twenty miles of the city. Since customers in all territories have continued to be served by some firm, it follows that the reduction in sales area and in number of customers in the case of some firms has meant an expansion on the part of others. The latter are normally the larger firms which handle a wide variety of products in large volume.

2. Effects on Competition within the Industry.

Before the war each exporting firm, when attempting to expand sales in the British market, had to compete not only against other Canadian firms but against the various other countries catering to that market. Under government-controlled buying this has all been changed. The total amount of Canadian purchases is determined by the terms of the annual Bacon Agreements arranged by the British Food Ministry and the Canadian government. The agreements have called a halt to direct packer competition on the British market. Furthermore the share of total Canadian exports going to each packer is determined by the size of the export

quota set by the Bacon Board. The Board began by setting quotas which corresponded with the percentage of the total pre-war export business. As time went on quotas have been adjusted in line with previous performance and the ability of individual firms to meet the Board's requirements in respect of quality and workmanship. For a limited part of the first Agreement period there was no restriction on the amount any packer could ship. During this period competition for a share of the B.B. allotment was keen since packers realized that performance during such periods would form the basis of any future quota adjustments by the Board. The competition for export business, therefore, has taken the form of competition for a larger quota. That such competition has existed is quite clear from the statements of a number of the leading packers. It naturally tended to be more or less pronounced according as the export price was higher or lower than the domestic. Canada Packers, the largest firm, stated definitely that its policy was and is to secure a larger share of the export bacon quota. Burns and Company, Whytes, John Duff and Sons, First Co-operative Packers and Intercontinental all made statements to the same effect. All added that they had sought to build up a reputation for high quality, good workmanship, and regularity of shipment. Wellington Packers claimed that it had achieved a record for quality and workmanship but stated that it had not sought to expand export business since that business made up such a very large part of its pre-war total.

Insofar as control measures have caused expanded hog production they have affected inter-firm competition. Generally speaking, both before and since the war, competition between packers has probably been keener in the buying of livestock than in the selling of livestock products. This is particularly so in the buying of hogs. The kind of competition a packer will offer when buying hogs will obviously depend upon his processing capacity. Packers with small amounts of unused capacity naturally have not the same incentive to increase purchases as those with large amounts of unused capacity. That is, once their limited capacity has been provided for, they cease to be effective competitors. This point is significant for the reason that, when the war started, some firms had a far larger percentage of unused capacity than others. Generally speaking, those with the largest percentage were the really large firms. Since most of the smaller firms were able to handle only a limited amount of extra business, the major part of the expanded hog numbers simply had to go to the large firms who had the capacity, In other words most of the packers were able to compete for only a small part of the additional hogs produced. Their total requirements made up a far smaller percentage of total hog purchases during the war than before. Once those requirements were filled buying competition was confined to larger packers with processing capacity still available. The net effect of hog expansion has been an increased supply of raw material in relation to processing capacity and therefore a lessened need for intensified buying competition.

The restrictions on domestic pork consumption have affected competition in several ways. To begin with they have completely stopped domestic packers from competing for a larger volume of business. Moreover, young export firms such as Intercontinental Pork Packers which had not yet developed a domestic business are effectively prevented from doing so. Not only have domestic packers been prevented from competing for a larger volume of business but, because their total volume is reduced, they have been forced to withdraw from selling areas in which they formerly competed. In the same way reduction of domestic volume has narrowed the competitive selling areas of several smaller firms which engage in both export and domestic business. On the other hand, since the regulations restrict only the quantity that may be sold, they provide domestic packers with a special opportunity to use the quality appeal when selling, Export packers have found it necessary to export most of their better quality hog products whereas domestic packers have been free to sell all of theirs in the domestic market. When it comes to buying hogs, however, the regulations have reduced the competition offered by the domestic packers. They can only compete for the limited number of hogs they are allowed to handle.

Probably the most important effects on buying and selling competition have occurred in connection with hogs and hog products and because export prices were fixed while domestic prices (until the price-ceiling programme became effective) were allowed to vary. Prior to the regulations both sets of prices were not only variable but tended, in practice, to correspond. Under regulation divergence rather than correspondence has been the rule. At some times export prices have been considerably higher than domestic and at other times domestic prices have been noticeably above export. Since the percentage division between export and

domestic business is by no means the same for all packers, and since some packers are concerned with domestic business only, it is obvious that the margin of profit on the hog business will vary widely from packer to packer. Variations will result because buying prices must tend to correspond while selling prices and receipts will depend on the market or markets being catered to and the amount of sales in each. Variations in degrees of profitableness, in turn, will be a big factor in determining the nature of packer demand. When export prices are higher than domestic, packers with a larger percentage of export business will be able to offer the highest price for hogs. Since their export allotments are set, any extra hog purchases will go to swell their share of the total domestic pork business. On the other hand, when domestic prices are higher packers whose business is mainly domestic will be able to offer price competition and will compete keenly so long as the restrictions on domestic consumption leave room for additional purchases. These restrictions place a definite limit on their power to exert the full competitive strength which the higher domestic price gives them.

To indicate that the type of reasoning just described applies in practice it may be stated that the competing power of domestic packers, and others whose business was mainly domestic, was reduced during most of 1940 because of relatively low domestic pork prices. During the spring and early summer of 1941 domestic prices were high in relation to export and no serious curb had yet been placed on the amount of domestic business that could be done. As a result packers specializing in the domestic business were able to compete for a larger percentage of the hog processing business. The above is substantiated by the Bacon Board figures which show that, of the total inspected hog slaughterings, the percentage handled by domestic plants was very considerably greater in the second than in the first of the two periods mentioned.

3. General Effect on Hog Prices of Restrictions on Domestic Pork Consumption.

Ever since, and indeed for some time before, the idea of restricting domestic pork consumption was first mooted the domestic pork business has been more profitable to packers than the export bacon business. In other words the margin between the price paid for hogs and that received for pork products has been wider on the product sold to the domestic trade than on that exported via the Bacon Board. Since most packers, including all the larger ones, have been catering to both markets, their total margin has depended on the proportions in which their total product was divided between the two outlets. Generally speaking the larger the percentage going to the domestic trade the larger the total margin over hog costs and vice versa.

This situation, wherein hogs must be bought at a single price while the products produced from them are sold at two quite different prices, has, or may have, two important effects on the price paid for hogs. The first is that the packers with the largest percentage of product going to the domestic market can afford to make the highest bids for hogs. The second is that, if anything happens to reduce the percentage of the total product going to the domestic trade, there is a possibility that total margin and therefore the ability to bid for hogs will be reduced. Now, as already stated, during May, June and July 1941 steps were taken by the Bacon Board to reduce the amount of pork consumed in Canada. One would ordinarily expect that the large scale drop in domestic business which resulted from these orders would have cut total profit margins considerably and thereby tended to bring about lower bids for hogs. Whether or to what extent this actually happened is, however, difficult to say. The reason is that no one knows what the total profits on domestic business would have been had the volume of that business not been cut. We do know, however, that the period concerned has been characterized by extremely intensive consumer demand as reflected in a willingness to buy meat despite marked price increases. This has meant that loss of profits due to drop in volume of domestic sales has tended to be offset by the extra income resulting from the higher unit selling price of the domestic volume that remained. Several packers stated in late September and October that domestic pork prices had advanced on the average 3 to 5 cents a pound from the time that restriction of consumption had gone into effect. What the domestic pork price would have been in those months in the absence of any consumption restrictions can only be guessed at. That it would have been showing an upward trend seems probable in view of the general nature of domestic demand.

In the light of the above factors it would appear that the amount of profit made by packers on their domestic business has been as great and possibly somewhat greater than would have been made had domestic sales not been restricted. If such is the case it follows that the orders restricting domestic pork consumption have not had any depressing effect on the price of hogs. All things considered it is doubtful whether these orders have influenced hog prices significantly in either direction.

4. General Effects of Distributing Business on a Quota Basis.

When the Bacon Board started operations one of its first tasks was to divide the total export bacon business between the various export packers. This was necessary for several reasons. Perhaps the most important reason was that it was necessary to make sure that the amount of product specially prepared for export corresponded with the amount needed i.e. the amount stipulated in the Bacon contract. If each and every packer had to proceed without a quota there would be no way of knowing whether the amount of bacon cured for export was more or less than sufficient until after the special processing required had actually taken place. A quota system was needed to permit packers to plan operations and thereby avoid the risks of following a hit or miss procedure. In the second place a quota system was needed in order to insure most efficient use of the special and somewhat limited curing and storage facilities required in undertaking export business. In other words it was necessary to divide the export business on the basis of the ability to handle it and handle it properly. This was especially necessary in view of the high standards desired in respect of quality, workmanship, and promptness of performance. The negative counterpart of this was that it was necessary to prevent firms which were not properly equipped for the job from embarking upon the esport business. Thirdly, a quota plan was needed in the interests of Bacon Board administration. In ordering weekly shipments, for example, it was necessary for the Board to know well in advance the actual location and extent of supplies. In particular, in order that the Board could comply with requests from the Food Ministry or Shipping Board in regard to shipments, it had to make certain that the necessary supplies were actually available. Finally quotas were needed as a means of guaranteeing fairness in the division of the export business between the various firms.

The minutes of the Bacon Board meetings indicate that the basis or bases on which export quotas should be determined has been a matter of considerable concern from time to time. That some dissatisfaction has existed on the part of individual firms respecting the quotas granted is also indicated. Complete satisfaction in this connection was, however, probably too much to expect. The general policy followed in the early months of the first contract period seems to have been that of setting quotas on the basis of past performance. During this period, however, weekly shipments considerably in excess of the minimum shipments agreed upon were permitted. This relative freedom from restriction gave packers an opportunity to export more than the original quotas specified. As this process went on the Board revised quotas from time to time in relation to immediate past performance. As this period of unrestricted shipments drew to a close the quota-setting problem became increasingly difficult and important. At the Board meeting on February 5, 1940, it was agreed that Mr. Todd, the packers' representative on the Board, should along with the packers, reach an agreement as to the division of the contract and should set up a schedule for the information of the Board. It was also suggested that part of the export business might be given to packers not then exporting provided they had the necessary experience. This matter also was to be dealt with by Mr. Todd. The basis of allotting the export business was the subject of a general discussion at the Board meeting on March 1 and at that time it was requested that a study be made of the possible advantage of dividing the business between the East and the West on the basis of hog run volume. On March 28 further consideration was given to this plan and it was decided to analyse hog movements further before coming to any decision in the matter. It was recognized that the nature of hog movements might have a direct bearing on the future storage program. In the meantime, at the March 6 meeting the Board agreed to the principle that in increasing the weekly put-down from 5,000,000 to 5,600,000 lbs., some relief might be given to packers carrying the heaviest load of storage bacon, by allotting to them an increased portion of the increased put-down comparable with their proportion of storage product. The idea was that the readjustment of allottments on this basis would provide a means of moving freezer product. In April the Board authorized the storing of a further 750,000 pounds and, in

accordance with the above principle, this amount was allotted on the basis of the percentage of the total product already in store and held by each packer to the account of the Board. The effect of this was that the larger firms, which had naturally been in the best position to undertake storage, received a larger percentage of the more profitable export business. As might be expected, the plan met with considerable criticism. At the Board meeting of July 4 representation was made by a number of packers with no freezer stocks to the effect that their allottment should be on the basis of the total authorized weekly shipment of 5,600,000 pounds rather than on the basis of the current putdown. The Board, however, did not see fit to accept this suggestion.

Regardless of the basis used in fixing quotas, the practice itself has had some important general effects on the industry. Perhaps the most important effect has been that, as time has gone on, the larger firms have been allotted an ever-larger percentage of the total business. This development would seem to have been inevitable. The total amount of unused capacity possessed by all the smaller firms at the end of 1939 was not sufficient to take care of more than a small fraction of the tremendous expansion of hog and bacon production that has since taken place. The balance simply had to be given to the larger firms if the job was to be done and irrespective of the precise basis of allottment. The various packers could have continued to receive the same percentages of the total business if the total itself had remained unchanged or relatively so. It would probably be fairly correct to say that the expansion in the total business has been the real determinant in fixing allottments.

A second effect has been that, since the middle of 1941, it was the domestic business that was divided on a quota basis. This suggests a further effect which is that at no time has the total business of export packers been determined on a quota basis. When export quotas were set they could always expand total business by freely competing in the domestic market. When domestic quotas were in effect there was always the possibility of exporting surpluses. This contrasts with the effect on purely domestic packers. Subjecting the latter to domestic quotas has meant the elimination of all opportunity for business expansion (except to the extent that quotas might be revised upward). Furthermore the setting of domestic quotas in relation to the amount of business done in 1940 tended to restrict the business of domestic packers more seriously than the domestic business of the exporting packers. The reason for this is as follows: Furing most of 1940 the price paid for hogs was based on the export price of bacon which was considerably above the domestic price. Since domestic packers were unable to sell pork at the higher export price level they could not afford to pay a price for hogs corresponding with the export bacon price. The result was that their hog purchases and pork business was very greatly curtailed. The business that they would otherwise have done went to the export packers who were able to pay the higher price for hogs. In a few cases domestic plants managed to add to their volume of pork sales by importing cheap pork from the United States and reselling it in Canada. However, this practice was followed much more extensively by exporting firms who anticipated receiving a drawback equal to the import duty paid. The margin of profit that could be made by importing pork appeared much smaller to domestic packers to whom it was clear the drawback provision did not apply. The general result was that domestic packers had a smaller percentage and export packers a larger percentage of the 1940 domestic business than would have occurred in the absence of the above circumstances. To base 1941 and later domestic quotas on the business done in 1940 was to perpetuate this situation.

Considering other effects of the quota plan we may say that it has given each packing firm a definite goal to aim at and plan for; that it has eliminated, to the extent of the quota, the need for the expensive merchandising program formerly used to manufacture a market and therby restricted inter-firm competition to matters of quality, workmanship, and general operating effeciency; and that it limited the extent to which firms doing both domestic and export business could switch to the one which, for the time being, was the more profitable i.e. it has forced such firms to share in the less profitable as well as the more profitable type of business. Moreover the method of administering the system made it quite possible for operators who were capable of undertaking export business but who had not previously done so to enter that field. The Intercontinental Pork Packers applied for an export allottment in May 1940 and, after obtaining an

export license from the Dominion Department of Agriculture and otherwise complying with export requirements, was given a quota in June. The amount of this quota was secured from the current allocation of the whole contract volume. Finally it must not be forgotten that the setting of domestic quotas in 1941 actually made it possible to fill the second export contract and is doing a great deal to help fill the third one.

D. LABOUR AND EMPLOYMENT

. General Regulations Regarding Labour Supply, Wage Rates, Working Schedules, etc.

In the words of the present Deputy Minister of Labour "the major problem of war-time becomes in the main how best to organize all workers for the maximum contribution to the national effort and to hold in trust the rights they have gained in pre-war times until peace returns. "1/To secure maximum production from the labour force it becomes necessary to use all available labour, to perfect the machinery for locating jobs and workers and getting them together, to maintain a proper balance between the numbers of skilled and unskilled workers, to prevent undue movement of skilled and key workers into the armed services, to effect a transfer of labor from non-essential war industries, to minimize labor turnover resulting from wage competition between industries, to maintain the health, working efficiency and general morale of workers, to discover and adopt the optimum length of working day and week, to prevent stoppage of work and, where this is impossible, to provide for rapid settlement of disputes. It is also necessary to adopt a wage rate policy that will provide sufficient stimulus to get the work done but will not result in any serious movement toward inflation. Moreover everything possible must be done to develop a healthy esprit de corps between employees, employers and government agencies. To secure the desired cooperation it may be necessary to permit more worker representation in the formulation of government policies concerning labor, to give special assurances that any wartime interferences with established labor standards or methods of bettering them apply to the period of the emergency only, to expand the machinery for settling disputes, to impress both employees and employers with the urgent need for efficient and uninterrupted production and to develop in them a sense of social responsibility. Finally the general war policies must aim at an equal sharing among all parties of the special sacrifices incident to the war.

The general war-time labour policy of the government was set forth in an Order-in-Council (P.C. 2685) passed June 20, 1940. It is perhaps significant that this action took place after both industry and labour had volunteered their co-operation to the government and also that it followed closely upon the fall of France and the losses at Dunkirk. After stating that in wartime no group in the nation can be allowed to gain from the special needs of the war and that the welfare of the community rather than of any individual or class must receive first consideration, the Order laid down ten principles or rules of action as follows: (1) every effort should be made to speed production by war industries; (2) fair and reasonable standards of wages and working conditions should be recognized and any temporary adjustments in remuneration due to war conditions should take the form of bonus payments; (3) increased output should be secured by adopting extra shifts rather than by extending unduly the hours of work; (4) already-existing safeguards for the protection of the health and safety of the workers should not be relaxed; (5) work should not be interrupted because of strikes and lockouts and any disputes not otherwise cleared up should be settled under the procedure of the Industrial Disputes Investigation Act; (6) employees should be free to organize in trade unions free from any control by employers or their agents; (7) employees should be free to negotiate with employers through representatives of their own choosing with a view to concluding a collective agreement; (8) every collective agreement should provide machinery for the settlement of disputes and should be carefully observed by both parties; (9) workers should neither coerce nor intimidate any person to join their organization; (10) any necessary suspension of established labour conditions for the purpose of speeding up war production should be brought about by mutual agreement and should apply only during the emergency.

The general principles having been thus established the task that remained was that of securing the fullest possible application of them. Generally speaking the various orders or regulations may be looked upon as parts of the attempt to perform this task. Some of them have provided for the setting up of administrative machinery. Others have constituted the enactment of specific legal requirements.

1/ Canadian War Economics, edited by J. F. Parkinson, Published by University of Toronto Press, 1941. Page 88.

At the same time that the above-mentioned general labour policy was announced, viz. June 1940, P.C. 2686 was passed setting up the National Labour Supply Council. The Council, to be composed of five representatives of Industry and five representatives of Labour, chosen in consultation with the most representative organizations of Industry and Labour, and an impartial chairman, was to act as an advisory body. It was "to advise on any matters touching labour supply for industry which may be referred to it by the Minister of Labour." Following complaints that it could not advise on its own initiative, the Minister informed the Council on March 21, 1941, that he would welcome advice regarding any labour matter whenever the Council thought it should be offered. The Council was appointed in order to take the fullest possible advantage of the offers of cooperation by labour and industry and in the hope that it would assist in reconciling the many divergent interests of employers and employees.

On October 25, 1940, the Interdepartmental Committee on Labour Coordination was established by P.C. 5922. This body was "charged with the planning and coordination of the functions and activities of the various government agencies in relation to matters affecting labour." It was composed of the chairman of the National Labour Supply Council and representatives of the Departments of National Defence, National War Services, Munitions and Supply, Finance, and Labour and it was to report to the Committee on Labour Supply of the Cabinet, of which the Minister of Labour is chairman. The Committee is required "to refer questions to and consult with the National Labour Supply Council in order to secure the considered judgment of employers and employees on measures and practices proposed with a view to obtaining their cooperation in such measures and practices as may be adopted." The real reason for the Committee's existence was the need for reconciling the divergent interests of the several government departments concerned with labour. The matters dealt with by the Committee have been many and varied. They include the several special labour problems that have arisen and the measures taken to deal with them.

The remaining controls can perhaps be best understood if grouped under a number of sub-headings according to the specific matters which they relate to.

2. Methods of Settling Disputes

The first step in this connection was that whereby the use of the peacetime procedure under the Industrial Disputes Investigation Act was extended to cover industries engaged in war work. In industries where this procedure applies, strikes or lockouts are considered illegal until a Conciliation Board has made an investigation and submitted a report. The Order-in-Council which extended this procedure (P.C. 3495 of November 7, 1939) also gave the Minister of Labour power to designate industries as war industries.

In the hope that prompt treatment would settle many disputes before they became too serious and that the need for appointing special Conciliation Boards would thereby be minimized, an Industrial Disputes Inquiry Commission was set up by P.C. 4020, June 6, 1941. This was a three-member Commission appointed by the Minister of Labour to act under the Inquiries Act. Under the Order the Minister could refer any dispute to the Commission which was to make a prompt preliminary investigation and arrange a settlement if possible. Where this was not possible the Commission was to supply the Minister with details of the dispute and indicate whether it warranted the appointment of a special Conciliation Board.

In line with the emphasis placed upon the conciliatory method of settling disputes, the government's conciliation service staff has been expanded. Similar services of provincial labour departments have also been made available.

3. Labour Supply and Labour Mobility

On November 7, 1940 an Order was passed (P.C. 6286) requiring employers when advertising for labour to state that they would not accept workers who were already engaged on war production. Employers contravening this requirement were made liable to a fine up to $200. The provisions of this Order were extended to all industries by P.C. 4642, June 25, 1941.

In order to prevent workers receiving technical training in plant schools from shifting from one plant to another, the regulations of the Youth Training

Programme were revised so as to provide for uniform rates of pay throughout the country.

As part of the unemployment insurance system a chain of public employment offices was developed. The object here was to facilitate and speed up the finding of jobs and men for jobs.

By P.C. 2251 of March 21, 1942, all male workers engaged in agriculture were prevented from leaving the farms to take employment in any other industry. At the same time workers engaged in farming were exempted from military service under certain prescribed conditions.

On March 4, 1942, an Order was passed (P.C. 638) which paved the way for the transference of workers from less essential to more essential war work by prescribing requirements for the reestablishment in their former employment, if they so desire, of workers transferred during the war. Later in the month another Order contained a list of occupations which the government considered unessential and which male workers between the ages of 18 and 45 ordinarily could not enter in future.

An Order (P.C. 2254) of March 21, 1942, provided for the appointment of a Director and Associate Director of National Selective Service. Their duties were "to coordinate the policies and activities of the departments and agencies of the government which affect or relate to the demand for and supply of labour needed to prosecute the war in all its phases, to make any recommendations in connection therewith, and generally to perform such other duties as might be required".

On March 2, 1942, an Order (P.C. 1445) made provision for the establishment and maintenance of an inventory of employable persons. Such an inventory was considered an essential prerequisite to the effective use of Canada's labour supply during the war.

4. Wage Rates

No systematic attempt to deal with wage rates was made until December 20, 1940, when P.C. 7440 was passed. This Order introduced a method of wage determination to be applied during the remainder of the war period. The basic principle laid down was that the highest wage rates of the period 1926-40 should be accepted as fair and reasonable for the duration of the war and that if any additional remuneration was given it should take the form of a cost-of-living bonus of a flat amount. The Order provided, not that wage rates should be "geared to living costs," but rather that any impairment of the basic living standard and of productive efficiency should be prevented by a flat cost-of-living bonus, uniform for all workers. No bonus was to be paid unless the cost of living had risen by at least five per cent since the start of the war or since the last date after August 1939 at which a wage increase had been granted. No later bonus was to be paid until and unless the cost of living rose by a further 5 per cent, etc. It was hoped that such procedure in regard to wages would do much to curb an inflationary price rise. The above order was amended on June 27, 1941. It was provided that "for each rise of 1 per cent in the cost of living the amount of the bonus shall be 25 cents per week, except for male workers under 21 years of age and female workers who, if employed at basic rates of less than 50 cents an hour on jobs not ordinarily assigned to adult male workers, shall receive a bonus of 1 per cent of their basic wage rates".

When, however, it was decided to take more drastic action to prevent inflation in the fall of 1941 it became necessary to establish a wage ceiling as part of the general price ceiling policy. An order (P.C. 8253) passed October 24, 1941, provided for the setting up of a National War Labour Board to administer the wage ceiling regulations and ordered that no employer could increase the basic scale of wage rates paid by him at November 25, 1941, without the written permission of that Board. Employers were also required to pay a cost-of-living bonus to all employees except those above the rank of foreman or comparable ranks. P.C. 9298 of November 27, 1941, set up rules for deciding when employees were to be considered above the rank of foreman, whether they were entitled to bonuses or not, the extent of any such bonuses, conditions of payment, etc. On December 5, 1941 another order (P.C. 9514) was passed amending P.C. 8253

so as to make its provisions apply to smaller employers, to clarify its relationship to Provincial minimum wage laws, to prohibit employers from reducing wages without permission, and to arrange for a Regional War Labour Board for each province. Order 1774, passed March 9, 1942, empowered the Minister of Labour to authorize anyone to act as his representative or as an inspector in connection with administering the Wartime Wages and Cost-of-living bonus Order (i.e. P.C. 8253). Any person so delegated was given authority to enter any place of employment and secure any information needed to determine whether the provisions of the Order were being lived up to.

One further provision regarding wage rates should be noted. An order of May 30, 1941 (P.C. 3884) raised the minimum wage rates from the levels established in 1934. The rate for male workers was raised from 30 to 35 cents an hour and that for females from 20 to 25 cents. The changes were made because of the fact that wage rates in general had risen, because the cost of living had gone up, and because a number of serious disputes had arisen over wage rates at or near the former minima.

So far as overtime rates and working hours are concerned no specific provision applicable to the packing industry appears to have been made. Extra shifts rather than a longer working day have been encouraged. Labour Department officials have stated that definite limits should be placed on the number of hours worked per day and per week and that the maximum for the week should be lower in the case of women workers. They have also suggested that in war industries overtime should be paid for hours in excess of a specified work week but should not be paid for Sunday work if one day of rest in seven is given.

5. <u>Labour Organization and Representation</u>

In order to prevent an employer from dismissing employees for joining a union which is trying to organize a plant, the Criminal Code was amended in 1939. The amendment declares it an offence subject to penalty for any employer to refuse to employ, or to dismiss from employment, any worker simply because he is a member of a lawful trade union, or to prevent the worker from belonging to a union by intimidation. The provision is hard to enforce, however, owing to the difficulty of proving that dismissal was due solely to the fact of membership in a union. This difficulty largely nullifies the value of the provision so far as labour is concerned. In spite of the difficulties, however, the policy of the Labour Department, when dealing with specific cases, has been to secure wherever possible the reinstatement of employees discharged for union activities.

While the Dominion Government's field of jurisdiction is limited even in wartime, it has attempted to secure access to war plants for accredited representatives of organized labour. Such representatives are given passes to admit them to plants under federal jurisdiction. Moreover, since a large proportion of the disputes that have arisen involve union recognition, Conciliation Boards have recommended recognition by employers wherever feasible. Before making any such recommendation care is taken to make certain that a union represents a majority of the employees. Where necessary a special election for this purpose is held.

In order to restore labour's freedom to take part in peaceful picketing in a protected area (this freedom was unintentionally interfered with by certain provisions of the Defence of Canada Regulations which dealt with "trespassing and loitering") a special Order-in-Council (P.C. 8929, February 7, 1941) was passed. The Order stated that "no person shall be guilty of an offence provided he is only taking part in, or peacefully persuading any other person to take part in, a strike and that is not otherwise unlawfully on or near or loitering in the vicinity of such premises".

It may also be noted that neither party to a dispute is compelled to accept the recommendations of a Conciliation Board and that the right to strike or lock-out has not been removed.

6. <u>Training of Workers</u>

In order to ensure a sufficient supply of key and more skilled workers during the war, an emergency training programme was set up early in 1940. Generally

speaking the plan has aimed to give special technical training to young people who have left school but have not yet entered any employment. The training is given in vocational schools across the country. To the extent that the supply of younger applicants has tended to fall off older men and men returned from this and the last war have been added to the list of trainees. Married men are given a weekly allowance of $12.

As the war period has progressed problems of personnel management in war industries have become increasingly important. Believing that clear-cut personnel policies administered by effective personnel departments would lead to more efficient production by removing misunderstandings and bringing about fuller co-operation between employers and employees, the government passed an Order-in Council (P.C. 1840) on March 10, 1942. This Order authorized the Minister of Labour to provide for the extension and improvement of training in personnel management and to appoint a Director of Personnel Training to take charge of this development.

7. Effect of Controls on Volume and Character of Employment.

The effect of controls on employment parallels roughly their effect on volume of business. Just as it is difficult in practice to say how much of the increased volume of business is due to the controls it is likewise difficult to estimate the extent to which control measures have contributed to employment. Nearly all firms reported the taking on of additional help to handle the extra business resulting from the Bacon Agreements. Whytes claimed that they had added 10 per cent to the number of employees because of the hog expansion. In the case of Schneiders the net addition to the labor force was 8 per cent. By working three hours more per week, on the average, existing employees were able to handle a considerable part of the extra business. Wilsils stated that some increase in the number of employees had taken place due to the general expansion of business but gave no specific figures. First Co-operative Packers at Barrie took on 18 per cent more employees to handle the extra business. Intercontinental had found it necessary to add 30. Wellington Packers increased employees by 15 per cent. Duffs stated that extra business had necessitated extra employees but the actual number was not stated. In the case of Burns and Company the regular staff had been on a short hour basis and was able to handle a large share of the increased business. In spite of this the number of employees was increased by 200 or 15 per cent due to increased hog handling only. Extra business meant taking on several hundred extra employees in Swift's plants. The Toronto Unit of Canada Packers increased the total number of employees 25 per cent between October 1938 and October 1941. In this one unit the extra hog business alone required 30 additional employees.

Generally speaking there appears to be no definite relationship between the size of firm and the percentage increase in employment. In the same way the general tendency has been to engage only unskilled labour not only because no other kind was available but because it is the usual practice to hire unskilled workers and have them develop their skill in the plants. It has been clearly the practice to hire males only wherever possible. In a few cases, however, a limited percentage of the extra employees were females. They constituted one out of six in the case of First Co-operative Packers and 15 per cent in the case of Swifts. Canada Packers and Duffs reported taking on an increasing number of females as male help became more scarce.

All packers consulted stated that the making out of the various reports as required by some of the regulations had involved a lot of extra work on the part of executives. While this has meant considerable extra or overtime work, it has ordinarily not involved the hiring of additional staff.

In the case of all but the largest firms the regulation restricting domestic pork consumption has meant a reduction in the domestic sales force where such was employed. The total number laid off because of the contraction in sales area has, however, been small. It is significant that no reduction of sales areas and staffs has been necessary in the case of Burns and Company, Swift Canadian, and Canada Packers. In the case of these large firms which sell a wide variety of meats and several other products as well, a partial loss of the pork sales is less significant from the selling standpoint.

Loss of business, due to the curtailment of domestic pork business, has apparently caused quite serious reductions in employment in the purely domestic plants. Some idea of the extent of this is afforded by the experience of Cridlands, a firm which has operated in Toronto for the past 23 years. Between August 23 and September 15, 1941, the number of employees was reduced from 85 to 47. Dismissals included skilled and unskilled workers, office staff, salesman, in fact all types of employees. Cridlands had a particularly bad year in 1940, which fact resulted in a correspondingly small domestic allotment in 1941.

IV. EFFECTS OF THE CONTROLS
E. CAPITAL, PROFITS, etc.

1. Effect on Capital Investment.

Most firms consulted report having made considerable capital investment since the war began. For the most part, however, the extra investment has taken the form of additional equipment for existing plants rather than either the construction of new plants or the making of additions to old ones. There are, however, some exceptions to this general rule. In practice it is sometimes difficult to distinguish between investments made on account of the increased business since the start of the war and those made or planned for prior to September 1939. The significant fact seems to be that most, if not all, firms have found it necessary to make some capital expenditures in order to handle the increasing volume of business. Some specific illustrations will indicate the extent and the nature of these expenditures.

In the case of Wilsils it is fairly evident that processing efficiency has not received a great deal of attention over the years. Much of the equipment is not of the newest and the building structure itself is quite old. Little use is made of mechanical methods of packing. While the firm would very much like to be more up-to-date in respect of plant, equipment, and operating methods, the general view of the management is not in favour of any elaborate capital expenditures at the present time. The attitude might be described as one of conservative wariness. At the same time it is to be noted that this firm was not one which was bothered with over-expansion or surplus capacity before the war began. In spite of its cautious capitalization policy the extra business since 1939 has caused the firm to put in new coolers, ice machines, electric transformers and additional storage space.

Swift Canadian Company states definitely that the tremendous increase in hog runs has made new investment necessary. New construction since September 1939 includes new coolers, curing vats, engine rooms, hog hair processing equipment, lard tanks, etc. The total investment approximates several hundred thousand dollars. The company claims that under normal conditions in Canada, it would have needed only about one quarter to one third as much building and equipment as has proved necessary on account of the greatly increased hog marketings.

Since war began construction in the case of Whytes has been confined to new stock pens and a smoke house. Limitation of investment has been due to lack of capital and not to the fact that no need for further expenditure existed. The management stated that, whereas the firm's capital is limited to $150,000, it really requires $500,000.

In the case of Burns and Company new investment necessitated by the increased volume of bacon business has taken place to the extent of $120,000. This investment has taken the form of extra refrigeration and a curing tank. The firm adds that new construction since September 1939 has included hog houses at Edmonton and Prince Albert and dressing room accommodation at Winnipeg.

During the summer and autumn of 1941 Schneiders built a new addition to their plant at a cost of about $100,000. The Schneider brothers say that their plant has been crowded for years and that the recent increase in business made the new addition absolutely necessary. The new building is approximately 80 x 120 feet and is four stories high. On the ground floor will be a men's cafeteria, cloak room and produce room. The second floor will be used as additional office space. The third floor will have a cafeteria and an assembly room and some space for displaying products to visiting dealers. The top floor will be devoted to the meat canning department. In addition to this building the firm has undertaken other construction including that of cooling rooms since the start of the war

First Cooperative Packers has built an export maturing and packing room, extra space for pickling, filtering, a new domestic shipping room, and a new beef room which has relieved the congestion on the hog coolers. This construction has increased the capacity for exporting by about 35 per cent at a cost of $15,000. All of these additions could be used in the event of extra domestic business. A new egg room and a new poultry room have also been added. The manager stated his belief that capital investment in the company will be jeopardized if the practice of restricting domestic pork business is long continued. Incidentally

[illegible]

the investment in the beef, egg, and poultry rooms was undertaken mainly because of the domestic pork restrictions.

New capital investment to the extent of $80,000 has been undertaken by Intercontinental Pork Packers since the war began. Shortly after war broke out the present owner bought an old plant and immediately began extensive remodelling. Because of the need for undertaking these building operations the renovated plant under new ownership and management was unable to start operating until June 1940. The new investment which took the form of a new killing floor, coolers, rendering department, boiler house and other general equipment, resulted in a considerable increase in hog processing capacity. While undertaken about the time the first Bacon Agreement was made, the present owner states that the investment was not directly due to the Agreement. However the firm's business has been almost exclusively an export bacon business.

In the case of Wellington Packers some $33,000 has been invested over the last five or six years. While this special new investment program was properly launched before the start of the war, it has continued during the war period as hog marketings have increased. The forms of investment include two curing vats, some alterations to the killing plant, and some equipment for handling by-products that did not exist before.

John Duff and Sons state that increased hog supplies have made it necessary to install "increased hog chilling and hanging rooms, cellars and curing rooms, curing tanks and holding rooms". The firm claims that all these additions are related to Wiltshire processing but are not the result of the Bacon Agreements. They were all previously planned being required by the current developments of the business. In late 1941 the construction of a beef, veal and lamb building was planned for as a means of replacing the loss in volume of business due to domestic pork curtailment.

Since September 1939 Canada Packers has undertaken very considerable new construction in connection with two of their plants. At the Hull plant they have built hog and beef coolers in addition to a new abattoir building. In their relatively new Edmonton plant curing cellars have been added.

From the foregoing it would appear that war-period investment has been undertaken for three reasons. Part of it represents the normal replacement due to wear and tear and obsolescence. Another part represents some expansion of facilities to handle the fairly sizable increases in hog marketings that were under way in the immediate pre-war period. A very large part of the investment, however, represents an attempt to get into a position to share as completely as possible the processing of the tremendously expanded hog population of the war years. In the case of certain firms, also, as has been indicated, part of the investment has resulted from the restrictions on domestic pork consumption.

2. <u>Effects Plant Construction, Installation of New Equipment, etc.</u>

The statements of the various packers in regard to the effects of these particular regulations show remarkable similarity. In general they are to the effect that the regulations have not actually prevented construction or installation of equipment although they have ordinarily caused some delays. It is to be noted, however, that a large part of the new construction was either completed or arranged for before the spring of 1941 when the special regulations in regard to construction were introduced. Nevertheless, of a dozen or more firms consulted, all but three reported that it had been necessary to obtain permits from the construction controller and Foreign Exchange Control Board before undertaking construction and installation. This indicates that considerable new building and equipment activity has taken place since the special controls became effective.

Only one firm (John Duff and Sons) indicated having had any particular difficulty in obtaining the necessary permission and materials to undertake construction. This firm stated that all requests made to the Munitions and Supply Department were refused and all priority requests rejected with the comment that 'you are not a war industry.' When consulted the firm had yet to learn how its application for a permit to build a new beef and lamb building would fare. It had not had any occasion to seek permission of the Foreign Exchange Control Board in connection with the purchase of new equipment but expected to do so in connection

with the purchase of new equipment but expected to do so in connection with the proposed new building.

All firms, with a single exception, stated that they would not have varied the type or degree of construction or installation had Foreign Exchange regulations been non-existant. First Co-operative Packers said that these regulations prevented installation of sausage machinery and tankage presses. The firm would have installed $3500 worth of equipment in the absence of Foreign Exchange Control.

Several firms mentioned that the various construction controls had caused considerable delay. The general experience is well summarized in the statement of Canada Packers which says that 'these regulations have made it more difficult in that there are long delays in obtaining equipment and sometimes we are not able to secure the most approved type of equipment'. It is obvious that such a statement will apply in increasing degree as the war period lengthens.

3. Effects of the Excess Profits Tax

One effect of this tax has been that the burden resulting from it has been felt much more severely by some firms than others. The reason for this is that there was wide variation in the nature of financial results during the four pre-war years which were used as a base for calculating the tax. Over the 4-year period some firms made a real good profit whereas others actually incurred losses. Those whose excess profits tax was made reasonably low because the level of profits secured during the base period was relatively high included Whytes, Wilsils, Canada Packers and Swifts. In contrast Wellington Packers stated that the tax had been made a bit high because of a low level of profits in the base years. Schneiders claimed that the tax had been extremely severe inasmuch as they had incurred losses for a number of years before the war. While they had not paid any E.P. tax up to the time of reporting (November 1941), John Duff and Sons were very dissatisfied with the four pre-war years as a base. During those years their profits had been below reasonable earnings on capital.

It thus appears that firms which had lower profits before the war have had less chance to increase them while firms with higher pre-war profits have had more chance to increase them. To the extent that the tax has affected net profits, therefore, it has caused the pre-war gap between the high profits of some firms and the low profits of others to become even wider.

Since the packing industry is one where profit depends largely on volume of business, it is not surprising that the largest firms which were able to handle the larger part of the extra wartime volume have paid relatively higher excess profits taxes. It is significant, however, that several firms reported that no excess profits taxes had been paid. Despite an increase in volume of business, Burns and Company showed a loss in 1940 and had no reserve set up for 1941. Taxes were paid on 1941 excess profits, however. In the case of Intercontinental heavy organization expenses have so far prevented operation from being very profitable and therefore subject to the tax. Firms like Cridlands, which have lost rather than gained volume during the war, have not made their usual not to mention any excess profits. Despite the fact that their volume of business had increased considerably neither First Co-operative Packers nor John Duff and Sons had paid any excess profits tax up to November 1941.

All firms consulted maintained that the prospect of having to pay this tax had neither encouraged nor discouraged investment in plant or equipment. There was general insistence that all projects undertaken were either planned before the tax was announced or were made necessary by the current developments of the business. The fact that considerable investment took place despite the existence of the tax would seem to indicate that the rate of excess profits tax, though high, was not considered too high to prevent the securing of a reasonable return on capital. It was apparently hoped that extra volume of business would more than offset the burden of the tax.

On the other hand it was generally admitted that the necessity of having to pay the tax had acted as a special spur to obtain increased operating efficiency. In other words it has resulted in special attempts to secure the largest possible amount of total profit so as to ensure that the net profit remaining after E.P. taxes were paid would be sufficient.

So far as we can learn only the two largest firms in the industry, Canada Packers and Swifts, have seen fit to take advantage of the opportunity to set aside a Wartime Inventory Reserve and thereby reduce the amount of the excess profits on which taxes were levied. There would seem to be three possible reasons why the other firms have not adopted the practice. For one thing most of the other firms are not only much smaller but had relatively less unused capacity before the war than the two large firms. Since their ability to participate in the expanded volume of wartime has been more limited, the danger of suffering post-war contraction is correspondingly reduced. In other words such firms may not feel any great need for setting aside any special reserve against an unfavorable post-war situation. In the second place it is only the very large firms which maintain really sizeable inventory stocks and are therefore subject to large scale inventory gains or losses as prices change. The extremely diversified nature of the large firms' business makes it necessary for them to keep on hand very considerable quantities of a great variety of products. The list includes such things as hides and skins, wool, butter and cheese, potatoes, eggs and poultry, vegetable oils, soap, feed concentrates, fertilizer ingredients, canned goods, various supplies needed in processing some of these products, and in addition the various meats. This long list includes many articles which can be and often are held for fairly long periods and in considerable quantity. It is also to be noted that the prices of several of these articles rose quite rapidly in the early part of the war. On the other hand the prices of meats, which made up most of the inventory of the smaller packers, rose relatively little until 1941.

In the third place it seems probable that some firms have not set up any wartime inventory reservd for the very good reason that they could not afford to do so. Such a reserve not only reduces the amount of excess profits which may be taxed but the amount of net profit available for distribution as a dividend to shareholders. It follows that no reserve will be established in cases where it is likely to interfere with the paying of a satisfactory dividend.

The conditions necessary for the establishment of a wartime inventory reserve are well illustrated in the case of Canada Packers. Here the combination of large supplies on hand in the last pre-war year and fairly pronounced price advances during the war has resulted in quite large inventory reserves being established. These reserves, in turn, have meant corresponding reductions in the amount of excess profits subject to tax. At the same time a very large increase in volume of business together with advancing selling prices has made it possible to establish the reserve, pay the excess profits taxes and still leave a net profit considerably larger than that obtained before the war. While net profit was higher in 1940, 41 and 42 than in previous years, it is worth noting that it was somewhat greater in 1940 than in either of the last two years. In other words it was highest in the year when the excess profits tax rate was lowest. On the other hand a lower net profit in 1941 than in 1942 is partly the result of a much larger wartime inventory reserve in the latter year. Incidentally the future possiblity of setting aside a wartime inventory reserve and thereby reducing the amount of excess profits tax would seem to have been automatically eliminated by the imposition of the price ceiling program.

4. Effect on Degree of General Industrial Stability.

There seems to be general agreement among the packers that the Bacon Agreements have been a definitely stabilizing influence. The policy of having fixed prices for export pork products has been considered particularly valuable. One firm favors it because it permits the packer to plan a program. Another says that it has eliminated the speculation on export business. Still another states that the fixing of export prices has taken the big guess out of the business which necessitated a wide safety margin in the last war. Also that central buying and fixed prices for extended periods tend to steady markets and bring about more uniform hog deliveries and that, because of this, it is much easier to make uniform shipments. The general feeling is that the Bacon Agreements

have given stability to the market. They have given both packer and farmer some basis on which to determine the value of hogs and have prevented widely fluctuating prices from week to week based on somebody's guess as to the value of Wiltshire bacon six weeks later in Britain or six months later on freezer stocks, and influenced by war trends, transportation doubts, etc. Both producers and processors have been able to feel that there was some known measure of value within a fairly limited range of fluctuation.

So far as any of the regulations have brought about large increases in the number of hogs processed, they have not thereby had any serious dislocating effects on the industry. Indeed the net effect of the extra volume has been greater industrial stability rather than the opposite. Swift Canadian Company e.g. claims that the extra hog business has permitted the use of labour from other departments and thereby stabilized working forces generally. Most firms, however, simply state that the extra business has had no bad effects, the main reason being that, after all, the increase in business, though pronounced, has taken place fairly gradually. Being anticipated, the packing firms were able to make any necessary adjustments in advance. The single exception to the statements just made is found in the case of Canada Packers. This firm states that the sudden increase in volume of business has had dislocating effects at certain times particularly in the West. It has caused summer sow runs, variations in the seasonal kill at Winnipeg, and difficulty in maintaining a proper relationship between domestic and export markets.

The regulations restricting domestic pork consumption have tended to disrupt conditions in three main ways. They have reduced the total volume of business of purely domestic firms and thereby put them in a position where selling area, working force, etc. had to be reduced at the same time that unit overhead cost was being increased. In the second place these regulations have meant the closing of sales territories, dismissal of salesmen, and loss of customers in the case of all but the larger firms. At the same time firms were obliged or encouraged to develop along new lines such as the beef, veal, or poultry enterprises, in order to maintain customers and sales organizations or to prevent unit costs from rising. A third dislocation has resulted to the extent that domestic packers, being in the best position to offer high quality product, have managed to cause a shift in patronage from other firms. A number of the other firms interviewed claimed that this quality competition provided by the domestic packers was very important. Canada Packers maintained that domestic packers have been put in a position where they could enhance their reputation for quality at the expense of other firms. Wellington Packers claimed that patronage formerly received from important customers like Loblaws, who particularly stress quality merchandise, was being transferred to Proctor's of Brantford, one of the largest domestic firms. While it is difficult to estimate the importance of such claims there can be little doubt that the restrictions on domestic pork business have decreased the supplies of certain cuts so far as the non-domestic packers are concerned.

The additional office work necessitated by Bacon Board regulations calling for regular submission of various reports, etc. has been an added burden on executive officers. In most cases it has constituted overtime work for a few people who were already pretty well taxed. There is no suggestion, however, that it presented any really serious problem or caused any actual dislocation even in the administrative end of the business.